FEDERAL JOB RETENTION PROGRAMS FOR DISTRESSED TIMBER COMMUNITIES

HEARING

BEFORE THE

SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES, AND ENERGY

OF THE

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FEDERAL JOB RETENTION PROGRAMS FOR DISTRESSED TIMBER COMMUNITIES

MONDAY, JULY 30, 1990

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON REGULATION, BUSINESS
OPPORTUNITIES AND ENERGY,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m., in room 2220, Rayburn House Office Building, Hon. Ron Wyden (chairman of the subcommittee) presiding.

Chairman WYDEN. The Subcommittee on Regulation will come to order. Right at the outset, let me apologize to our witnesses and our guests for the confusion surrounding the room. The last days before recess are always hectic, but today we seem to have gone off the Richter scale in terms of confusion.

Today, the Subcommittee on Regulation will review Federal and State programs to provide assistance to timber workers who lose their jobs due to cutbacks in Federal timber sales mandated by the Endangered Species Act.

The issue is of great importance to dozens of small communities in Oregon, Washington, and northern California now facing economic meltdown. The Chair believes, however, this issue has significant implications for our entire Nation.

The Pacific Northwest faces the first region-wide, large-scale loss of jobs due to enforcement of the Endangered Species Act, but conflicts will surface in every region of the country as we decide between the protection of species and the continuation of workers' jobs.

The Federal Government's response, or lack of response, will set a precedent for endangered species conflicts to come. Obviously, environmental reform does not come free. Federal environmental policies can be a wrecking ball for families and communities that lack the resources to cope with the changes forced by those policies.

In a small timber town dependent on one or two mills, workers can't just take off their boots and go get decent paying jobs in nearly high-tech plants, or in the service industry. Those jobs simply don't exist.

Members of Congress, and Presidents, who support environmental regulation have a special obligation to assist displaced workers. President Bush seems long on sympathy for the unemployed loggers, but short on good works. He has already explicitly ruled out new programs or new funds to aid timber-dependent towns.

So, for now, the ball is in the congressional court, and on a bipartisan basis, I believe that my Northwest colleagues want to get moving. There is much to do, such as blocking the President's proposal to cut Federal support for job training and dislocation assistance. Incredibly, with growing unemployment in timber towns, the President has actually proposed to reduce training and dislocation funds from $464 million this year to $400 million in 1991.

A new report due for the subcommittee indicates that unemployment assistance to laid-off Oregon workers alone will cost between $125 million and $150 million, a huge sum for an already starved fund.

Every Federal agency with a mandate to promote economic development must be mobilized in the fight to help timber towns find new and solid economic funding. Last week, the U.S. Small Business Administration [SBA], agreed to the subcommittee's request that an additional $2 million in Federal loan guarantees be made available to Oregon timber communities between now and October 1.

Friday, the House Small Business Committee agreed to another subcommittee request, agreeing to make it easier for businesses in timber towns to qualify for loans through certified development companies, if they can show that they are economically threatened by enforcement of federally mandated environmental protections. The Chair wants to commend the SBA for taking the initiative, and within its limited resources, genuinely straining to try and assist laid-off timber workers.

In the absence of an aggressive program from the administration, the Chair would like to suggest a few more ideas for discussion. First, we must increase Federal support for jobs training and dislocation assistance. There has been a near-unanimous call from the States for more Federal dollars in this area. In the face of these demands, the administration has proposed to reduce Joint Training Act title III funds from $464 million this year to just $400 million in 1991.

Second, the administration must stand firm and forthright in opposing raw log exports and opening up foreign markets like Japan to more finished wood products from the United States. We need not ship more jobs overseas with unprocessed logs while we lose jobs, here, to the Endangered Species Act.

Also, I soon will be introducing legislation which will prod the U.S. Forest Service and the Bureau of Land Management into more aggressive management of Federal second-growth forests. A Congressional Research Service report by timber analyst Ross Gorte, requested by the Chair last year, estimated that we are foregoing hundreds of millions of additional board-feet per year in timber harvest because we aren't managing these lands strongly enough for ultimate production.

Today, we will find out whether the U.S. Department of Labor is going to be an advocate for these workers. The subcommittee invited Secretary Dole, who initially said through staff that she could not appear today. When the Chair offered to reschedule today's hearing, the Secretary's staff said that she could not appear in September, October, or November. We hope the Secretary will change

her mind and soon personally take up the cause of our displaced timber workers.

Only a stronger working partnership between business, labor, and Government can provide relief for the timber-dependent communities that are now on the ropes. Today, we will examine how to strengthen that partnership, and we will begin with statements from members of the Northwest delegation.

I see my colleague and good friend from the Commerce Committee, Congressman Swift, has also joined us, and seems to be sitting—we have got him in the bleachers, but, Al, if you would like to come forward and join us, we are pleased that you are here.

Why don't we begin first with statements from the members. We are bipartisan, we represent Oregon and Washington. I am very pleased my colleagues are here, and I think we will have others that are coming.

Senator, let us begin with your statement.

[Mr. Wyden's statement may be found in the appendix.]

TESTIMONY OF HON. BOB PACKWOOD, U.S. SENATOR, STATE OF OREGON

Senator PACKWOOD. Mr. Chairman, I have a statement I would ask be included in the record. Mr. Chairman, you made a very valid point when you talked about some of the small towns that are a one or two-mill town. It is not easy for a 40- or 45-year-old logger to move away and get another job that pays what mills pay.

If you live in Veneta, Yoncalla, Cottage Grove, or Philomath, and suddenly the mill is closed, and your parents are still alive, and your child is still in high school, you don't want to leave that town, you would like to continue to work there.

So, I think our first obligation is to try to make sure that the timber industry continues to thrive in Oregon and Washington. No matter what we say, in Oregon, timber is going to be our biggest employer for the remainder of this century, at least.

If you count the secondary and tertiary jobs, I think for the next quarter of a century, it is going to be the biggest employer in Oregon. We have to be doing everything we can to make sure, the Forest Service, the Bureau of Land Management has the funds to manage the land.

The classic example is what the State of Oregon has done with the Tillamook. Roughly 350,000 acres burned black. For those of us old enough to remember, you could drive from Portland to the coast and you saw nothing but scarred hills for miles and miles.

Today, you drive, you see nothing but green. Most people would not realize it had ever been burned. We are within 10 to 15 years of harvest on a perpetual basis.

I am not suggesting that we are going to not pay attention and follow the Endangered Species Act or take other environmental steps, but for those lands that remain for commercial timber operation, we can manage them on a sustained yield basis forever, and keep thousands and thousands of people employed in the timber industry.

We have also got to put a stop to the unconscionable practice of exporting logs, public and private, from our forests in the North-

west. We are close, I think, to a ban on most public logs. We didn't approach private at all in this session, and I think the time is going to come when we have to do that.

However, we are going to have to turn our attention toward retraining of some people. If you have to leave Philomath, or if you have to leave Veneta, because my hunch is new bases are not going to come in scores to those towns, if you are going to have to move, you would like to be able to move something or some place where you are trained to do a job that exists.

In response to Oregon State officials, I have helped to secure assistance to workers who have already lost their jobs due to timber-related layoffs.

The State recently received $700,000 from the Secretary of Labor to assist 200 dislocated wood workers in Lane County.

More funds will be needed to assist 240 workers laid off from Bohemia's Creek Mill. These are examples of existing mills.

Training is significant only where jobs are available. The State says 35 percent of our manufacturing jobs in Oregon today are in the timber industry, and as I said, many rural communities are locally, totally, signally, dependent on jobs in the timber industry or are so closely related to it that those jobs would fail if the local mill shuts down.

So I urge in addition to retraining of jobs for another occupations, training of jobs closely related to what the timber industry is going to need. Soil conservation, forest management, road building, and reforestation, all of these can be done with an infusion of money and it can be spent in intelligently.

I have called for the convening of the Endangered Species Committee, the so-called God squad, to review the economic and human consequences of owl protection, and I hope we don't make the same mistake on the Columbia River and Salmon that we made with the spotted owl.

I hope while the National Marine Fishery Service is studying whether or not certain runs of salmon are extant, we continue to try to find what the economic consequences are, and to that end, I asked the GAO to do a study of the economic consequences of what might happen to employment, power production, and irrigation on the Columbia River if those salmon are declared as endangered.

I want to commend the work in the State of Oregon being done by Bob Buchanan. He is coordinating the State's response to existing needs created by owl protection. He is here to testify about his efforts to organize maximum contributions by Federal agencies. To that extent I have arranged meetings for Bob Buchanan in Washington this week with a number of Federal agencies, including the Department of Labor on job training, Health and Human Services, and the Bureau of Land Management. We know the Department of Labor is now beginning a new cycle of funding grants.

I trust Bob Buchanan will strike while the iron is hot to secure these available dollars for Oregon workers already in need of assistance. So in conclusion, Mr. Chairman, two things.

We must work to insure adequate funding for timber supply and we must fully cultivate for every area of land that is not otherwise set-aside for some other purpose and at the same time, realizing

the inevitability of some downturns we must secure all the available training funds that are conceivably available.

[Mr. Packwood's statement may be found in the appendix.]

Chairman WYDEN. Bob, thank you very much for a helpful statement. Let's turn to Al. It is good to have my fellow member from the Commerce Committee making this a bipartisan partnership. We appreciate you coming.

TESTIMONY OF HON. AL SWIFT, CONGRESSMAN, STATE OF WASHINGTON

Mr. SWIFT. Mr. Chairman, thank you very much. I ask unanimous consent to insert my statement in the record.

Chairman WYDEN. Without objection, so ordered.

Mr. SWIFT. I will also ask unanimous consent to insert along with it a complete statement by Dr. Robert Lee, who is with the School of Forest Resources, University of Washington, located in Seattle, Washington.

Mr. SWIFT. I am a truck driver's son. I became a nomad, as a great many of my generation did, and as our children are becoming. We move around a lot, we do not have different jobs in a lifetime, and we kind of anticipate that that is the way life is.

But I remember growing up in a truck driver's family, how important a single, lifelong stable job was to how our family defined itself, and how our family planned its economic future. How these two high school graduates were going to see their two sons graduated from college as the first college graduates in the history of the family.

So I have some understanding, even though I have become a nomad myself, for the feelings of many who work in the forests, because they think more like my father thought.

Someone once told me, or actually I read—it was a sociologist who said that a threat to one's job is for most people one of the most dramatic events ever in their lifetime, roughly comparable to the death of a child.

That is true for all of us, but one of the things I find puzzling as we go through this—the agonies of this issue with regard to the spotted owl is the cavalier attitude that some have about these jobs in the woods. I was talking with a friend of mine I have known for years, he is a college professor.

He may have forgotten, but I remember back in the 1970's, when the State of Washington was having severe budget difficulties and they were riffing faculty at the State colleges, and this man's job was on the line. He was one mad professor. He was mad at the legislature. He was mad at the Governor. He was mad at anyone that he thought had anything to do with putting his job on the line, and I can understand that.

What I don't understand is, him telling me a few weeks ago, what we must do in the forest is so important, these people will simply have to give up their jobs.

No sense of compassion. Even if you believe the environmental side of this argument to the point that you believe they must give up their jobs, I do not understand the lack of compassion that seems to go along with some people with that point of view.

I think it is important we understand better what goes through the minds of the men and women connected with this industry. To that end I would like to read portions of the statement that I ask unanimous consent to have inserted in the record. This was prepared by somebody from my State's economic security commission, by the labor department in most States and it is a profile of this kind of person.

She says timber workers and families have chosen a way of life based on hard work, risk, and ruralization. They fiercely believe in the American dream of family independence and economic stability in return for honest work. The families have often been loggers or mill workers for generations and also have a strong tie to their work, their family, and the forest itself.

She makes this observation, you and I, the nomads, might not understand. She said loggers are members of an occupational, rather than a residential community. They gain their job security within the occupation through their personal reputation within the work group, which they maintain from job to job. Their loyalty is more to active logging than to a company, or an outfit, or a locality.

The communities in which they live are facing social and cultural disruption from job losses. Workers have been able to rely on their reputation to gain work, no longer will be able to do this. Entrepreneurs will experience a tremendous loss of self when they are forced to close.

Loss of trust. People—she goes on to say, in the timber-dependent communities trusted the Government and its commitments. The residents experience a sense of abandonment, violation, and helplessness under these circumstances.

She suggests that dehumanizing through degrading wood-working occupations, popular stereotypes are being distributed. These blame the workers for the problems and create negative associations with wood-work production occupations.

I see an echo of how we treated Vietnam Veterans. We didn't like the war, so we said bad things about the veterans.

There are many who don't like what is going on in the woods, and they are degrading the people who work there. This is creating an attitude of bewilderment and anger that is unnecessary among these people who are threatened. There is a denial of the need to change. Families still living in the communities are survivors.

They are the ones that used up their resources in the last downturn, but they are also the ones that don't believe this will be more permanent than the previous scares. I am afraid that they are probably wrong. Social disruption in their community takes many forms.

There is a fear of poverty, she goes on. There is fear of poverty and a fear of the need to rely on the Government. Reports of domestic violence increase. Arrests increase. Abuse increase, as death and suicide increase. All these occur while the community tax base is reduced along with the ability to respond to this crisis.

The communities and individuals will require creative approaches to respond to the trauma, the anger, the high levels of stress they face as they are asked to adapt to the changing situation. There is more in this profile that I submit for the record.

What I am suggesting is, that those who feel very strongly that we must proceed with a sharp reduction of activity in the forests need to understand that they are also affecting a group of people who are going to be able to adapt terribly well to a new situation. Just as animal life sometimes takes a long time to adapt, it is wrong to assume the human animal can change just like that.

We know that to be untrue, but sometimes it is inconvenient for us to admit that when we have some goal to which that concept stands in the way. What you are proposing here specifically will help.

I believe we need to do other things that will help, but I think we have to understand that there is an enormous need here not only to try and keep the supply—the timber supply at the highest level we possibly can, consistent with legitimate environmental concerns, but we also need to understand we are dealing here with human beings and human families who hurt, experiencing pain, and are frightened. Are angry, and whose attitude toward what the American dream was is being shattered in the process of how we are dealing with them on this situation.

The program such as you are talking about, and on which you are having a hearing today will help. Things will be necessary as we go about doing what must be done as we go about seeking the compromises that will enable us to get through this crisis, we need to keep in mind we are dealing with people, and there is a time—in addition to everything else, for compassion. I thank the chairman very much.

[Mr. Swift's statement may be found in the appendix.]

Chairman WYDEN. Al, thank you very much for an excellent statement. Either of you are invited when we get done here with a few questions to sit with us. Bob, I think your schedule may be tight.

At this point I also want to introduce into the record a statement from Congressman McDermott who wanted to be here and was called away.

[The statement of Mr. McDermott follows:]

Chairman WYDEN. Both of you have, I think, addressed the issue very well. We know that the estimate is very wide as to how many workers will actually be laid off. We hear estimates as high as 100,000 workers in the Pacific Northwest. Any way you slice it, there are going to be a lot of workers that are going to need to find a way to replace those family wage jobs.

Now, the debate within the administration, to some extent has been, should these workers' needs be addressed through existing programs, or through new programs, and the President has already offered his view on it.

My question to you is, either way we go, existing programs or new programs, do both of you feel that it is going to take a significant amount of additional funding in order to get the necessary training and dislocation assistance out in the Northwest? Start with you, Bob.

Senator PACKWOOD. I don't know how much more. I think it almost becomes the question. I think we ought to say if we are going to take Federal actions that are going to put people out of

work, then we are going to make sure moneys sufficient to retrain them to relocate them. It is our fault it is happening.

We did think when we expanded the Sequoia, we did put any numbers of people out of work.

In the bill itself we said here is the money for retraining. It worked pretty well. As I recall, 3,600 or 3,700 people finally were involved in the set of that.

I am prepared to support whatever is necessary. It is frustrating when the environmentalists say 5,000 or 10,000, and the timber industry says 102,000, the Forest Service says 28,000. The State of Oregon says 50,000. Sometimes they mean 5 years and 10 years.

Sometimes they mean Oregon and Washington. You never get a handle on it, but there is no question you are talking about a lot of jobs of people who are going to be put out of work through no fault of their own.

Chairman WYDEN. Al?

Mr. SWIFT. I think Bob's point the Federal Government should be responsible for its own actions and should be doing something in the direction of trying to provide remedial action, for example, the Clean Air Act, which you and I are very aware of in other parts of the country. That act is going to be causing economic dislocation.

I think it is important, because it is not just the individuals who show up in those statistics, the 28,000 or the 120,000 jobs. Depending on the nature of the economic diversity, in some communities you are talking about the whole community that disappeared. Some communities are blessed with economic diversification. They will take a hit.

Other communities, this is a leap out the 14-story window, there is no resilience. It will not only mean the mill worker, the logger, and the log truck driver, but the grocery store, the local tavern, and the guy who gives haircuts. That is the reason I think there is an enormous responsibility for the Federal Government to clean up after itself when it makes these decisions.

Chairman WYDEN. I certainly share your views. The reason for my asking the question, we are going to hear later from the Oregon Economic Development Department. They say point blank, funding is inadequate to serve the number of workers being dislocated in Oregon.

We noted that the Job Training and Partnership Program, title III, which is the prime retraining and dislocation program, the money there has been reduced substantially in that account. I just don't see any way that we are going to be able to address these needs without some additional funds.

I think, Bob, you are right, we have got to look at the galaxy of programs, and the Redwood Program is certainly one that has some value. The Congressional Research Service has talked about targeting resources specifically to wood-products workers. The magnitude of workers is so great now, I just don't see how we are going to be able to do this without some additional funds. When you bear down in those budget summit talks you can let them know we are concerned.

Gentlemen, both of you have made an excellent presentation. We thank you and look forward to working with you.

Mr. Van Erden, it is the practice of our subcommittee to swear all witnesses that come before us. Do you have any objection to being sworn?

Would you raise your right hand.

[Witness sworn.]

Chairman WYDEN. We will make your prepared remarks a part of the record in their entirety. In the interest of time, if you could summarize your principal concerns that would be helpful.

TESTIMONY OF JAMES VAN ERDEN, ADMINISTRATOR, WORK-BASED LEARNING, U.S. DEPARTMENT OF LABOR

Mr. VAN ERDEN. Thank you, Mr. Chairman. My statement is very brief, so if you have no objection, I would basically paraphrase it, or read through it very quickly.

Mr. Chairman, I am James Van Erden, Administrator of the Office of Work-Based Learning. My office has responsibility for two programs which affect dislocated workers, the Economic Dislocation and Worker Adjustment Assistance Act [EDWAA—title III of JTPA] and the Trade Adjustment Assistance [TAA] Program.

Secretary Dole regrets that she is unable to attend this hearing but wanted me to assure you of her strong commitment to assist workers who may be impacted by the northern spotted owl habitat designations.

We share your concerns on this very important issue, and believe that the solutions to problems caused by possible worker dislocations will require a coordinated, cooperative approach involving local, State, Federal, and private sector resources.

Over the past few years, we have learned much about worker dislocations, and can share what we know with you. Although the source of dislocations varies, the needs of the impacted workers, their families, and their communities are very similar.

We believe that the current resources available at the Department of Labor under the JTPA, and specifically the EDWAA Program, are adequate to respond to the retraining and related needs of the impacted workers.

In addition, unemployment insurance will be immediately available to most workers and if unemployment reaches a certain level, extended unemployment benefits would be triggered, covering workers for a longer period of time.

EDWAA is a flexible, comprehensive program for dislocated workers whose employment loss means they are unlikely to return to their previous industries or occupations. EDWAA has a local service-delivery system; the Governor of each State is responsible for overall program administration, management, and targeting formula-disbursed funds to areas of major worker dislocations.

EDWAA provides for a number of major worker dislocations. These include on-site rapid response to plant closing and mass layoffs and basic adjustment services such as outreach and intake, development of individual readjustment plans, labor market information, job development, job search and placement, supportive services, relocation assistance, and predislocation readjustment programs.

In addition, EDWAA offers retraining services, including classroom, occupational skills, and/or on-the-job training, basic and remedial education, and entrepreneurial training. EDWAA also offers needs-related payments under certain circumstances to workers who have exhausted their unemployment insurance and who are participating in an approved training or education program. Finally, EDWAA permits special grants to States experiencing major worker displacement through the Secretary's discretionary set-aside funds.

I would now like to respond to some specific questions that you asked me to address. One advantage we have in responding to the situation in the Northwest is that we have time to plan an approach and make necessary adjustments.

The effects of the spotted owl decision will not happen overnight, as in a plant closing, but will be spread over a period of years. However, we must make effective use of the time available.

Since April, Department staff have been in continuing discussions with Members of Congress and their staff, the Forest Service, the Bureau of Land Management, Fish and Wildlife, the Employment and Training Administration [ETA] met on site with State officials from Oregon and Washington during the week of June 11, 1990.

The purpose of the visit was to listen to and share information with the State, congressional, and private sector representatives and to begin the process of developing comprehensive plans that would respond to the potential dislocations. The Department would be pleased to meet with any other State officials and interested organizations on this issue.

As a result of those meetings, the ETA Regional Office in Seattle has designated a high level official to work with the States as they develop their plans, and to serve as coordinator for the region's assistance. The States in turn have begun to identify and work with the local communities that would likely be affected by the dislocations, and involve them in the planning process.

Last Thursday, we met in Washington, with the Washington State officials and representatives of several other Federal agencies to help identify the Federal resources that might be brought to bear in responding to the needs of dislocated workers and their communities. Later this week, I will be meeting with Oregon State officials.

In terms of the employment impact in the Northwest, there cannot, at this time, be any hard estimates of the numbers of workers who may be affected, or when those effects may be felt.

The impact will be affected by the specific plans that are now being developed by the Federal land management agencies to respond to the June 22 listing of the spotted owl as a threatened species.

Throughout our discussions, however, the Department has reassured the affected States that while projections and estimates of the total impact on employment vary widely, the Department will assist in developing plans to address the needs of the dislocated workers and their families, and will provide assistance to facilitate the dislocated workers' transition to new jobs.

The most important step for the Federal Government at this time is to meet and share information with the State and local officials who are in the best position to assess the situation in their own communities. Each State is currently developing an overall coordinated strategy to deal with aspects of the potential dislocations.

We will assist them in their efforts to prepare this strategy. Federal resources would be important in the delivery of necessary services, but no Federal program can anticipate and respond to every need.

Local assessment, local planning, and local decisionmaking must be the mechanisms to coordinate and target already available resources and ensure their effective utilization.

Drawing on what we have learned from previous worker dislocations, and based on our experience with training and employment programs in general, the Department believes existing programs are adequate to address the employment effects of the spotted owl decision.

Further, no specific changes to JTPA or the unemployment insurance system are necessary or desirable to address the needs of dislocated timber workers. These existing programs already provide for early response, counseling, and relocation assistance, as well as retraining and income support assistance. In sum, no new Federal initiative is necessary.

With respect to retraining programs, we believe that existing programs are effective both in terms of retraining displaced workers and in assisting the workers to relocate and obtain alternative employment opportunities. This is true regardless of the location, including rural communities, as long as the jobs are available.

It is therefore critical to our efforts and to the efforts of State and local officials, that we involve the private sector in the entire adjustment activity. We do not believe the uncoordinated, separate approaches can be successful.

We also recognize that determining which jobs are or will become available in the affected communities, or elsewhere, will be a major task.

We know the State officials are giving the issue of economic adjustment a great deal of thought and are looking at many options.

These options include the development of value-added timber-related industries, efforts in the recreation and tourism industry as well as development of alternative occupations and industries which are completely new to the area.

Much must be done to achieve the goal of effective adjustment and the Department recognizes that it will require hard work and the commitment of many public and private agencies, organizations and individuals. Retraining is part of the solution.

It is available and can be used to assist displaced timber workers regardless of their particular education or occupational skill levels. Some of the workers may require only minimal retraining, other will require more extensive training. The program is flexible enough to accommodate both these and other varying retraining needs of the displaced workers.

With respect to past funding, the Department has made certain amounts of funds available to Oregon and Washington under EDWAA. Each year the States receive a formula allotment to pro-

vide retraining and other services to dislocated workers. States may also submit funding requests to the Secretary for discretionary funds if they have a substantiated need.

In terms of additional, national reserve funding for 1988, Oregon received over $1.6 million and Washington received almost $1.3 million of the $71.8 million available nationally, 2.2 percent Oregon, 1.1 percent Washington.

In program year 1989, Oregon received an additional $1.2 million of the total $56.8 million available. Of these amounts, Oregon received $1 million for forestry and wood products in project year 1988, and $700,000 for a timber-related project in program year 1989. Oregon's program year 1990 formula allotment—July 1, 1990—is $3,955,000, and Washington's allotment is $7.9 million.

While the Department has not received any program year 1990 discretionary requests, you can be assured that every request will receive appropriate review and consideration. The States will clearly play the lead role in planning and managing any necessary readjustment effort. However, the Department is prepared to help.

We believe that the programs currently administered by the Department in partnership with the States are sufficient to provide effective adjustment assistance to dislocated timber workers.

Addressing the complete range of community needs must be a joint effort involving State and local officials, the private sector, organized labor, and other Federal agencies, as well as the Department of Labor. The Department is ready and, in fact, is already playing its role in providing appropriate assistance. We are pleased to provide support and we encourage the involvement of other Federal, State, and local sources with may be of additional assistance.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions that you or other members of the subcommittee may have.

[Mr. Van Erden's statement may be found in the appendix.]

Chairman WYDEN. Thank you, Mr. Van Erden. Let me begin by asking first has the Department ever been faced with this kind of situation where there is a region-wide, large-scale loss of jobs due to the Endangered Species Act?

Mr. VAN ERDEN. Mr. Chairman, in answer to your question, with respect to the Endangered Species Act, I am not aware of any similar situation. As you know, the JTPA Act was passed in 1983, and EDWAA was amended last year. I think it is fair to say we have not seen major potential dislocations such as this under the current program.

However, if you look back into the late 1970's, we clearly saw massive dislocations in the auto industry and in the Midwest in the steel industry. These were occurring under another program.

Chairman WYDEN. They had nothing to do with environmental protection. They had to deal with international competitiveness. In fact, production is up with fewer workers, because they have gone to such lengths to retool and there is no question we are setting a precedent here. A precedent dealing with the Endangered Species Act that I think is important. Is there any question in your mind, in the Department's mind, that thousands and thousands of workers are going to be laid off?

The lowest prognostications that I am hearing from the Federal agencies are 25,000 workers. That is the lowest, and then it goes up from there. You talk about potential job loss. What is the job-loss figure that the Department of Labor is now using as it tries to make its calculations?

Mr. VAN ERDEN. I don't believe the Department has made any independent assessments that I am aware of at this time. I know the BLM has been involved with the Forest Service and other agencies in assessing the potential impact. My potential, I think, applies not to the magnitude, but to the fact most of the layoffs will occur in the future.

Chairman WYDEN. The Forest Service estimate is 25,000.

Mr. VAN ERDEN. I have seen numbers of 20,000, 25,000.

Chairman WYDEN. So, roughly, that is the ball park the Department of Labor is working from?

Mr. VAN ERDEN. I think in our sense, Mr. Chairman, we are aware of all of the estimates that are going on and we are looking very closely at those estimates, but at this time we have not made an independent estimate or verified any of those ourselves.

Chairman WYDEN. One of the concerns I have with the notion of using existing programs—I think it is a debatable proposition whether you should have existing programs or new programs. I am sure you have seen the Congressional Research Service report which basically comes out for a new sort of approach. I don't see how existing programs with significant reductions in funds are going to be able to cope with greater demand. Why don't you explain to me how that is going to be possible.

Mr. VAN ERDEN. I think, Mr. Chairman, we need to talk about how EDWAA—the program itself actually works. For the record, I think it is also important to show that last year, the year that ended on June 30, we only had $283 million available, under EDWAA. That amount did increase on July 1 of this year to $463 million, and I believe our budget request for next year is $400 million. The way the program works, 80 percent of that money is allocated to the States and sub-State areas.

However, 20 percent of that money is retained by the Secretary for discretionary grants for special purposes, for emergencies, for mass layoffs that were unforeseen in the original occasion, so this is sort of a safety valve, if you would, in order for us to deal with issues like we might see in the Northwest as they occur.

This year we have $92 million in reserve that can be allocated to States that are experiencing significant problems. I think from our experience so far that the $92 million that we have, which is almost twice what we had last year for these purposes, would be adequate to deal with most of the layoffs we anticipate occurring. This is $92 million per year. If the layoffs are spread over several years it becomes more money available for this kind of process.

Chairman WYDEN. Let me see if I can get this straight. There is going to be a reduction under the President's proposal from $463 million to about $400 million. Any way you slice it, it is a cutback. But what you are saying is there is a 20 percent discretionary fund which probably could afford to deliver additional funds for the Northwest.

Mr. VAN ERDEN. Absolutely, yes.

Chairman WYDEN. Do you think there are any gaps in the existing programs that will make it tough to get workers the training and the assistance they need, I want to give you an example.

The State is saying that it is going to take considerably longer in most instances to train a laid off timber worker in an occupation that would pay that person comparable wages, than it will to get the 6 months of unemployment out. That there will be a gap. They will get unemployment for 6 months. Their training is going to take a lot longer.

Now, again, that seems to me to be a gap in existing programs, and I wonder if you think that there is a gap, and if so, is there a provision, say, for extending additional assistance to that person if they have gone their 6 months but their training is not yet done.

Mr. VAN ERDEN. Mr. Chairman, let me tell you an experience I had. I was recently named Administrator of EDWAA, and my past experience was with the unemployment insurance programs; in fact, I worked with your staff a number of years ago in the demonstration programs.

Traditionally we look at 26 weeks of unemployment insurance. Then everyone is cast aside. As I began to look at the EDWAA I was surprised to find there is a needs assistance payment. It requires a couple of things from the unemployed worker—one, are they involved in training, and, two, they get involved within the first 13 weeks of unemployment benefit stream.

If those two provisions are met—and there is a provision to waive that under a set of certain circumstances, then the needs for the payment continue. It is at the level of unemployment insurance benefit or the poverty level, and it has no time limit. The only limitation is 25 percent of all the funds available is the maximum amount that can be spent in this area. Our experience so far, we have never got close to the 25 percent.

There is, under that scenario, no gap, so long as the individual worker is in retraining, which I think is something we would all agree would be desirable if they were permanently dislocated.

Chairman WYDEN. You would foresee then if an individual or a large group of those individuals, minimum 25,000, and prognostication probably above that, need additional assistance, you could get it for them beyond the 26 weeks?

Mr. VAN ERDEN. Yes, sir, so long as they are in training.

Chairman WYDEN. Now, a State representative from Roseberg, Norm Gershan, who is part of an Oregon task force, is concerned that the title III rules, the JTPA rules are just so bureaucratic and so inflexible that it has been difficult for the State to come up with programs and funding that they need to serve their workers. They also cite, for example, proposals they have made for discretionary grants where they have benefited at far lower levels than were requested. Does the Department have plans to streamline these JTPA title III rules so as to be able to get more resources out more quickly?

Mr. VAN ERDEN. We are also looking at making sure that the discretionary grant process occurs as quickly as possible. I believe in the last few months we have been averaging something like 35 days from the time a request was received until the State was notified the funding was available.

As we look at the discretionary grants request we often look at those in terms of how many workers are going to be served, what the potential benefits are, and quite often we will make some minor adjustments in the funding requests.

But by and large, Mr. Chairman, we fund those fairly quickly and pretty much at what the State requests. But there are no plans to change any of the regulations or the law at this point.

Chairman WYDEN. Has the Department developed a response plan to the Northwest timber situation? A specific response plan to get out the assistance? You have said today there is going to be enough funds.

There is going to be extended payments and I find it hard to see how this can be done while you are cutting back existing funds. I would like to see in writing some specific response plan. What we have seen in your testimony is you say the main thing the Federal Government is doing is sharing information with the States.

Now, you have made some statements here today that it seems to me, give us something to follow up. But I wonder if the Department has a specific response plan for addressing the needs of the Northwest timber workers?

Mr. VAN ERDEN. Has the Department of Labor in isolation granted such a plan, I think the answer to that is no, because in my testimony, as I indicated, we see this as a cooperative effort between us, the States, and the private sector, and other Federal agencies.

To that extent we have had a number of meetings with State agencies to work with them on their system. Title III is largely a decentralized system. The bulk of the money goes to the State and the local deliveries.

What we have been trying to do, Mr. Chairman, is back them up, work with them, provide answers, coordinate, bring other people to the table they might want to meet with, and in that sense we have a plan but it is a plan that responds to the needs of the State, and not dictated by what Washington needs to be done.

Chairman WYDEN. The States indicate they are not getting adequate funds. They are saying the funds they get are too tied up in bureaucratic red tape. In your prepared testimony, you say the most important thing is to share information with the State. Now, until we have got a chance to follow up on some of these new concepts that you talked about today, I would like to know what else, besides meeting and sharing information, is available on paper about what you are going to do in the Pacific Northwest.

Mr. VAN ERDEN. We would be happy to provide that.

Chairman WYDEN. Does it exist today?

Mr. VAN ERDEN. Does there exist a Federal plan in writing?

Chairman WYDEN. Yes.

Mr. VAN ERDEN. No, sir.

Chairman WYDEN. How is the Department of Labor then carrying out its statutory mandate? The Department of Labor has a statutory mandate under the laws of the United States, to be an advocate for workers who lose their jobs, and I see nothing at this point, except this meeting and sharing information with the State.

Mr. VAN ERDEN. Mr. Chairman, all of the rules and regulations and procedures and planning documents that are necessary to op-

erate title III in the program are in writing and we would be happy to provide you with numerous different documents in that area.

With respect to your question has the Department of Labor prepared a specific detailed plan to deal with dislocated workers in the Northwest, as a result of the northern spotted owl designation, the answer to that question is no. What we have done is agreed to sit down and work with the States and provide the assistance to them they say they require, without dictating from above what they should be doing, because it is a State issue.

Chairman WYDEN. Just so you understand, the State is not satisfied with the response. The States say they aren't getting enough funds. The States say the funds are bogged down in bureaucracy. That is what we are going to hear today. The States are very unhappy the Department is cutting funds at a time when there is going to be a greater demand.

One of our State officials, Bernie Agrons from another timber growing county, who is chairman of a State legislative task force, said current Federal programs for retraining displaced workers are often put forward as a partial solution, but are, in fact, a cruel hoax. They are deficient, both in terms of the quality and quantity of the coverage provided.

Now, that is the chairman of the Oregon Task Force on timber industry problems. It is consistent with what we are hearing from other State officials. What we are hearing from labor unions.

What we are hearing from some mills is, that they would like to retool and look to related activities. How would you respond to somebody like Mr. Agrons who say that these programs are now a cruel hoax?

Mr. VAN ERDEN. I certainly don't know which programs he is talking about. We know the dislocated-worker program around the country has worked very well. Approximately 70 percent of all individuals who have entered some type of training have been placed in permanent jobs. Generally, what we hear from the system from States around the country is that the program is working very well.

I am sure that in any large program like this you will find one program that doesn't work as well. I don't know what he is referring to, so I can't really respond.

Chairman WYDEN. My colleague Peter DeFazio obtained a copy of an unreleased administration report entitled Actions the Administration May Wish to Consider in Implementing Conservation Strategy for the Northern spotted Owl. This contains an impressive list of proposed actions the administration and Congress take to soften the blow from spotted owl plans.

Some of these actions would require legislation, others might be implemented administratively, but instead of making this document available to Congress and the public, basically it was just set aside. I think a lot of us in the Northwest delegation just find this unconscionable. You've put this document in the deep freezer rather than to share it. I would like to know whether the Department of Labor was involved in writing this particular report or was aware that it was being put together?

Mr. VAN ERDEN. I could only speak for myself on that point and to my knowledge the Department was not aware of it. I can certainly check and provide it for the record.

Chairman WYDEN. Have you read the report?

Mr. VAN ERDEN. No; I have not.

Chairman WYDEN. Are you aware that it contains a number of recommendations that would involve the Department of Labor in a significant way?

Mr. VAN ERDEN. I have heard that, but I have not read anything.

Chairman WYDEN. What does it say about the administration to be putting together these kinds of documents. Some have dramatic proposals, and you as the head of the training program don't even know it exists.

Mr. VAN ERDEN. We can always do a better job in coordination. As I indicated earlier in my testimony we did have a meeting with the Washington delegation and I anticipate these with the, or delegation in which we brought together the key players and we talked about the coordination of the issue. I think we will have improved coordination in the future.

Chairman WYDEN. I am going to have the staff give you a copy of this report because it alters dramatically the role of your Department in trying to assist timber workers, in some respects with ideas that I think are worth exploring.

I just have to tell you Mr. Van Erden that I think that what you have in place is a prescription for being behind the curve. The States tell us they don't have funds. They tell us the money they get is tied down with too many bureaucratic strings.

You are telling us the most important thing you can do is share information with the States and you are not even getting information from the other agencies that are, in fact, making proposals and advancing ideas that involve your Department.

I just hope that you all are willing to look at some of these other approaches, particularly ones that are going to be advocated today because I think we are already playing catch-up ball.

I think you would agree that the big crunch is yet to come. Workers are already being laid off as mills and communities see what is ahead and by even the most conservative estimates, I just don't think what we have in place is going to do it.

I am interested in working with your Department. I am very disappointed that the Secretary could not come in September, October, or November when we offered to reschedule this hearing at her convenience.

I am disappointed because I think she has done an excellent job on a lot of issues, issues that I think are important. She has really made a difference. So I hope that this hearing will be the start of an effort on a bipartisan basis.

I have worked with your Department on a lot of issues in a very cooperative way and I am extremely disappointed with what we have seen to date on this issue. There is some solid work being done. The Congressional Research Service Report alone, I think, gives us a chance to examine some creative approaches.

I am open on some of these issues as to whether or not there should be new programs or existing programs. But we have a tidal wave coming in the Pacific Northwest and we are going to have to

move much more quickly, much more boldly. So we thank you for coming. To some extent I know that you are not responsible for all the policy decisions that have been made.

But you are their representative today and I hope the message will get back. We will have a number of questions that we are going to ask of the Department in writing. Why don't we say we would like the answer to those questions within 2 working weeks, is that acceptable?

Mr. VAN ERDEN. That is fine.

Chairman WYDEN. Unless you have anything further?

Mr. VAN ERDEN. Mr. Chairman, we will be more than happy to work with you and your staff in any way that we can assist you.

Chairman WYDEN. Thank you for your time.

Panel two, Mr. Bill Collins of Florence, Oregon; Dennis Scott, United Brotherhood of Carpenters/IWA, Washington, DC; John Beuter, American Forest Resources Council, Portland, Oregon; James Storey, social legislation specialist, Congressional Research Service; and Paul Polzin, University of Montana, Missoula, Montana.

Gentlemen, we welcome all of you to the subcommittee. We thank you for your patience and apologize again for the logistics of hearing rooms and the like at the end of the session.

It is the practice of our subcommittee to swear all of the witnesses. Do any of you have any objection to being sworn today?

Please all of you then rise and raise your right hand.

[Witnesses sworn.]

Chairman WYDEN. We are going to make your prepared remarks a part of the hearing report in their entirety. For all of you, you can probably tell that with the microphones not being wired you are going to have to boom it out for people in order to be able to hear this.

Mr. Collins, let's begin with you. We thank you for coming. I have been to Florence a lot of times over the years. I know things are tough there now and folks are hurting, so we appreciate your coming.

TESTIMONY OF BILL COLLINS, MILL WORKER, FLORENCE, OR

Mr. COLLINS. Good morning, Mr. Chairman. My name is Bill Collins. I am from Florence, Oregon, the central or coast. I welcome this opportunity to talk about job losses in the Pacific Northwest timber industries. Just looking around the room, I guess I am the only mill worker here, so I think I can speak to some of the personal tragedies that I have witnessed.

We are facing a crisis in Oregon and Washington. Reductions in the Federal timber harvest is going to cost many timber workers their jobs. But this is a problem that has been going on for some time, although it is going to get worse.

Timber-dependent communities need help. They need new jobs and job retraining. They need to see an interested Federal Government. They need to see programs—both Federal and State—that give people training for real jobs.

I am glad that when President Bush visited Oregon earlier this summer he said he was concerned and sympathetic about Oregon

timber workers. But I would be a lot happier if the President put his money where his sympathy is and provide retraining and job retention programs, now, for the thousands of workers who will lose their jobs to enforcement of the Endangered Species Act.

No matter what we do, maintaining stability in these timber communities won't be easy. I speak from experience. I am 50 years old, which in itself has created some hardship in finding work. I am not eligible for retirement. I worked in the lumber industry for 24 years, from 1964 to 1988.

Most of those years were spent in the log processor as a reliefman. A reliefman's job responsibility was to fill in on all jobs in the log processor and relieve for breaks.

In 1988, my employer, International Paper Company closed the mill and sold it to another company. At the time of the closure in 1988, my hourly rate was $10.70 per hour. This wage rate was in effect after giving concessions to the company in 1985 to assist them in continuing to operate. This wage was still higher than most nontimber industry jobs available in the out-lying communities.

Of the 400 employees affected by the mill closure in 1988, approximately 50 were rehired by the new company. I entered the Lane Community College Dislocated Workers Program in Florence, Oregon. The program consisted mainly of resume writing, interviewing skills, and various other job finding skills.

I was impressed with the college's sense of purpose, but I don't feel that the programs offered filled the needs of many of us who attended. I do realize that the college's main body is in Eugene, which is 150 miles round trip from Florence. To take advantage of the programs offered in Eugene would have been helpful, but when one is receiving unemployment benefits, it is self-defeating.

I feel the State and Federal Government should help with the retraining programs or will suffer the loss of income-earning people in the coastal communities because there is no new industry to take the place of lost timber jobs.

Many problems were created within the community because the community was not able to replace the jobs. People moved away in search of employment because they couldn't survive living in a rural community with no other industry.

The city of Florence, Oregon, is a community of approximately 6,000 population, primarily consisting of retired persons. There is a small seasonal fishing industry but that does not serve as a replacement for timber jobs.

The city of Florence has always been a retirement community with very little industry. The community mostly affected by the mill closure was Reedsport, located 20 miles south of Florence and 2 miles from the mill. Most of the mill employees lived in Reedsport and because of the loss of jobs, I know that Reedsport has been trying to find other suitable work without success. I have read in the newspapers of the different communities attempting to diversify and attract new industry, but I have no knowledge of them being successful especially in the coastal communities.

Many families were broken up, they lost their homes and other property due to bankruptcy. Many sold their belongings in order to hang on in this area. Eventually they left because they could not

get work. I personally know of several of my fellow workers divorcing and have heard many stories of family violence due to the loss of jobs and lack of jobs to go to.

Some of these people who have gained employment in the timber industry in this State and neighboring States have had the same thing happening to them all over again.

I feel a lot of people have benefited from the Dislocated Workers Program, through counseling, networking for jobs, and some went on to school, taking courses in business. I am concerned though, for they should offer training that is more adapted to mill workers abilities.

For myself, the best part of the Dislocated Workers Program was the support group, because we were all in the same situation, being with people you knew and had worked with half your life.

Several people I know, after not being able to find a family wage job, took jobs in the service industry which for the most part are low paying jobs such as dishwashing, security guards, stocking shelves, and other tourist related work. Most of these jobs are only seasonal work. I know several workers who took their retirement early and took a significant cut in their benefits by doing so.

For myself, I mostly worked part-time jobs, such as remodeling and home repairs for about the first 6 months after the mill closure. I then joined the Laborer's Union, which affords me some work. So far this year, I have been able to work about 4 months. Currently, I have invested all of my savings into building a house for resale. By doing this, I am trying to create a job for myself.

I do not like the idea of relocating but if I must it will be only as the last resort. Our home is paid for and I feel if I relocated, the same thing could happen all over again. Also, my wife, and I both have family and friends here that we don't want to leave.

My income now is about half of what it was when the mill shut down. My wife works part time as a hairdresser at a local retirement center, which helps a lot.

There are three mills in the Florence area and two in the Reedsport area, two of which pay substandard wages. One is a paper mill with very little turnover and is also owned by my former employer. There is very little incentive to obtain employment with these mills.

I have seen the industry change dramatically over the years and the job loss increased steadily. For example, the IWA represented approximately 3,500 wood products employees in the early 1980's from Coos Bay, Oregon to Florence, Oregon, and through mill closures, environmental restrictions, raw log exports and new home starts, the IWA now only represents less than 500 employees in the same geographical area.

In summary, I would encourage my Government to appropriate any available moneys to assist in retraining dislocated timber products workers. I believe that we are headed back to a time when there was long-term unemployment in this industry that will cause more problems than were experienced in the early 1980's recession with high interest rates. Any assistance made available would be greatly appreciated by displaced timber workers and their families.

Chairman WYDEN. Mr. Collins, thank you very much for an excellent statement. It was pretty clear to me after you got going

that you would be a lot more comfortable at home working in a mill than coming up here and testifying before Congress. We appreciate your doing this. The fact that you have come makes it a little easier for us to get some of these changes that are going to be necessary.

[Mr. Collins' statement may be found in the appendix.]

I will have questions when we get through with some of our other witnesses. We appreciate your coming.

Let's go to Dennis Scott. Dennis, we welcome you. You and I have had a chance to work often over the years. I will make all your prepared remarks part of the hearing record. Please stay to 5 minutes so we will have time for questions. The chairman will start the time clock.

TESTIMONY OF DENNIS SCOTT, UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

Mr. SCOTT. Thank you for the opportunity to appear. I am Denny Scott, an economist with the United Brotherhood of Carpenters here in Washington, DC, Before joining the Carpenters Union, I worked 14 years for the International Wood Workers of America.

I am very familiar with the kinds of dislocation problems that are being discussed today. Before addressing those questions specifically, I would like to point out that our union feels that the primary attention of the Congress ought to be focused on preventing the economic disaster.

We call for balance in this debate between the environmental community, the economic community, and the timber communities on exactly how public old-growth timber should be utilized. I think there are some measures in the Congress that approach it in a constructive manner. Mr. DeFazio has introduced a bill I think is interesting and worth consideration.

It ought to be pursued. It is a bill that mandates the Secretaries of Agriculture and the Interior to establish a committee to look at owl preservation while also achieving greater timber sale levels in a manner that minimizes the disruption of employment in public timber-dependent communities.

Likewise, I think the Congress ought to be looking critically and setting aside those proposals that dismiss or ignore the notion of balance in the whole discussion and debate.

Chairman Vento's bill entitled Ancient Forest Act of 1990, fails in this category. That bill would set aside something in the area of 6.3 million acres of old growth public timber lands. That is puzzling in itself when some observers in the industry define old growth timber lands closer to the 3 million acre mark.

The Vento bill prohibits all harvesting in this ancient forest reserve area. While the bill does direct a certain sales level, the sales level is so minimal and so small that it seems to exacerbate the problem instead of trying to address the problem to mitigate the economic damage that would result from either enacting this bill or the ISC report concerning spotted owls.

That being said, let me comment a bit about our experience with worker adjustment and retraining programs. The Carpenter's Union represents about 20,000 members who would be directly im-

pacted by a short fall in timber supply. Another 15,000 are represented in the western States of the International Wood Workers of America.

During the 1980–83 recession we saw employment in the Pacific Northwest drop in the vicinity of 44 percent at the most critical depth of the depression. Today we have encountered some recovery but the recovery has never and will never again reach the levels that we saw in the late 1970's, with the housing boom at that time.

As you have said and as other witnesses have said, there is a good bit of controversy over the direct job impact. We have looked at the studies and we tend to give more weight to John Beuter's report, whom I am happy to see is here and who can discuss that directly with you.

But when you talk about that type of employment loss, we are talking anywhere between 25, 30, or 35 percent of the industry employment being directly impacted. It is a phenomenal impact. Incidentally, I think there are some other forces that are coming to play on the industry and on employment patterns in the industry. One is the whole scenario involving takeovers and potential takeovers. The industry has just been through a hostile—turned friendly—takeover by Georgia Pacific of Great Northern Nekoosa.

I think the timber industry is generally shaking in fear of the next hostile takeover. There is a large, independent company now on the sale block, Roseberg Forest Products.

With great fear of driving timber and stumpage prices upwards at the same time we see public stock prices of the forest companies at a depressed level which in the present scenario invites a takeover artist who is more interested in securing value out of timber by holding and selling. This could mean closing saw mills and closing plywood mills.

That factor will have major impact and I think it should be considered. Other impacts this subcommittee can look at is in the area of SBA set-asides. What will happen to the SBA timber set-asides if, in fact, the spotted owl report, or some version of the Vento bill is enacted?

It has been a point of controversy in the industry for a long, long time. Will the small employers have a proportionate share, will their share increase or decrease? I think that, too, will have job-related impacts that we have not yet looked at.

Quickly, to sum up our experience with the job retraining and relocation adjustment programs of the early 1980's, it is a mixed experience. We dealt mainly with programs in the State of Oregon and Washington.

Generally speaking we had much more favorable results with programs run in the State of Washington than those run in the State of Oregon. I think the reason for this conclusion is the fact that Washington ran a much more centralized program through the Employment Security Department.

The Oregon program is more decentralized and run through service delivery areas. As a result, the budgets were allocated in the SDA's disbursed throughout Oregon. When a problem hit and an unexpected mill closure occurred we were always in the position of applying for additional funds and trying to persuade Congress and the Labor Department to appropriate additional funds.

This was a severe obstacle to a comprehensive, flexible program. We believe that if you are going to have any impact at all we ought to avoid tinkering with old programs. We ought to take bold new initiatives to work on income maintenance, long-term training and broad 3-State mandated coordination with organized labor involved. Without these kinds of bold approaches, I see a disaster compounded with disaster for our industry in the Northwest. Thank you.

[Mr. Scott's statement may be found in the appendix.]

Chairman WYDEN. Denny, thank you for an excellent statement. I will have questions in a minute.

Mr. Beuter?

TESTIMONY OF JOHN H. BEUTER, CONSULTANT, MASON, BRUCE AND GIRARD, INC.

Mr. BEUTER. Thank you for the opportunity to appear before your committee. I want to make a correction in the witness list which wrongly affiliates me with the American Forest Resources Council. I am a consulting forester and principal with Mason, Bruce, Girard, Inc., located in Portland, Oregon.

Chairman WYDEN. With unanimous consent the record will reflect Mr. Beuter's comments as he has made them.

Mr. BEUTER. Maybe the listing of me as with the American Forest Resource Council is because I was involved with a study done earlier this month that was funded by the American Forest Resources Alliance.

I planned and coordinated a team of social and economic scientists in a look at the economic and social and cultural implications of the implementation of the conservation strategy for the spotted owl. The people who worked with me were Dr. Wilbur Maki and Doug Olson of the University of Minnesota who did the economic modeling, Dr. Robert Lee, of the University of Washington, Dr. Paul Polzin of the University of Montana, both of whom will be testifying today and Dr. Mark Rasmussen of Eugene, Oregon.

The map on page 3 of my written testimony shows we covered the three-State area. It was broken down into economic areas within each State so that we can look at the impacts, where they are likely to occur, and not have the impacts in rural areas masked by the growth occurring in the urban areas.

We asked three questions: We wanted to know what likely would have happened during the decade had we never heard about the Thomas Report and the Conservation Strategy. Second, we wanted to know what would happen if we implemented the conservation strategy on public lands only, and third what would happen if it was implemented on both public and private lands.

I have heard a lot of confusion about the jobs. Our numbers have been the higher ones. But this covers a three-State area, not just Oregon. You will hear from Dr. Greber of Oregon State University who has an analyzed Oregon alone.

The impacts are significant. Without the Thomas Report or the ISC strategy we would have expected about a 14 percent decline in timber harvest because of the implementation of the forest plans underway which include a lot of environmental and wildlife concerns.

If the ISC strategy were to be implemented on public lands we would expect another 13 percent harvest reduction and if they were to be implemented on public and private lands, an additional amount such that the total impact would have been 40 percent compared to what would have happened anyhow in this decade.

Also I want to stress table 4, the table showing economic dependency indexes for wood products, which emphasizes the fact that the impacts are not going to be spread evenly across the three-State area.

For example, if you were to look at Washington you would see southwest Washington has a timber dependency of 55 percent whereas all of western Washington as a whole has a timber dependency of 13 percent. When we look at those specific areas, southwest Washington specifically, is going to be hit considerably harder than western Washington as a whole.

As far as the employment impact, if we look at what likely would have happened in 1990 to 2000, without the Thomas Report, we would have expected a loss of about 19,500 direct timber industry jobs and a loss of total jobs as they filtered throughout the economy of about 44,500. When you look at the incremental impacts of implementing the Thomas Report on public lands only, we would expect a loss of another 40,000 jobs.

If it were to be implemented on both public and private lands, we would expect additional loss of 102,000 jobs relative to what would have likely happened during this decade had we gone ahead and implemented the forest plans. There are similar sets of numbers associated with income appearing in table 7.

With that I will end my testimony, and some of the additional findings by the study team will be reported by Dr. Lee and Dr. Polzin.

The documentation for all our work, and the individual study reports by the scientists are available from the American Forest Resource Alliance. Thank you.

[Mr. Beuter's statement may be found in the appendix.]

Chairman WYDEN. Thank you. We will have some questions in a moment.

Mr. Storey, we welcome you. I want to especially thank you for all the hard work that you have done in preparing the report. You were the first one specifically to look at the effects on the timber workers.

TESTIMONY OF JAMES R. STOREY, SPECIALIST IN SOCIAL LEGISLATION, EDUCATION AND PUBLIC WELFARE DIVISION, CONGRESSIONAL RESEARCH SERVICE

Mr. STOREY. Mr. Chairman, I am reporting today on Federal programs serving workers dislocated by Federal policies and how these programs could be modified to improve career transitions.

As you know the Federal Government is considering stricter regulations of the economic activity to improve the environment. The Government is also expected to reduce military spending substantially and close numerous military bases.

These changes will cause only moderate unemployment nationally, but particular communities and individuals may be hard hit

economically. Unemployment caused by such Federal policy initiatives is often concentrated in specific industries and/or regions because these initiatives usually emerge in response to specific economic or Government activities.

Sometimes, the viability of a community or segments of an industry may be threatened. The question has arisen: Should unemployment caused by new Federal policies be singled out for special Government compensation?

In the interest of saving time, I am not going to comment on the data on the spotted owl since so many others are discussing that, but I want to mention a couple of other areas the Congress is looking at regarding special compensation for dislocated workers.

First, there are the amendments to the Clean Air Act. That would have a dramatic impact on the high-sulphur coal mining industry and the associated processing industries that use that coal.

In House actions on those amendments, a proposed benefit plan for workers who would lose jobs was enacted. That is now pending in conference with the Senate. That program would closely resemble the current trade adjustment assistance program for people adversely affected by foreign trade.

In defense spending a Federal commission recommended closure of a number of military bases. It is also anticipated there will be large cuts in defense contracts and personnel levels. Budget decisions have not been made for this year so there are no estimates, but there was a hypothetical study of a 10 percent cut in defense employment which was done at DOD. They found it that would affect 340,000 jobs over a 3- to 5-year period. In response to concerns in that area, several Members of Congress have introduced bills which would establish benefits for dislocated workers, and they have followed the model of trade adjustment assistance in designing those bills.

People interested in assisting these dislocated workers have to decide whether to rely on existing programs, improve them, or craft a new approach. Existing programs have shortcomings in dealing with dislocated workers. Unemployment compensation has a 26-week duration which is often too short for dislocated workers. Extensions are seldom triggered unless there is a major recession.

Title III of JTPA was designed with the premise that dislocated workers should be equally eligible for employment and training services regardless of the cause of dislocation. To assure that JTPA could serve persons who lose jobs because of Federal policy might require two types of changes: Earmarking funds for specific economic dislocations; and providing more cash benefits to trainees.

However, the earmarking of funds for a specific purpose would prompt other interests to seek similar arrangements, thereby undermining a major strength of JTPA title III—its ability to respond flexibly as needs change in particular labor markets. Adding cash stipends would make the program more costly and convert it into something it was not originally intended to be—an income maintenance program.

Welfare programs exist, but in some States benefits are quite low. Making significant changes in unemployment compensation, JTPA, or welfare could be difficult and time consuming. These programs have a long history of reform efforts, and past compromises

and may be resistant to change. The size of dislocations may not be large enough nationally to bring about new reforms. A new program for workers dislocated by Federal policy shifts may be more feasible as a short-term solution.

Since 1962 the Federal Government has enacted several new programs to compensate for unemployment caused by specific policy changes. Trade adjustment assistance, the best known, is a program to help workers adversely affected by foreign aid.

There was a program which was mentioned earlier for workers affected by expansion of the Redwood National Park. Also there are programs that were enacted to help workers affected by railway mergers and airline deregulation. All these enactments occurred during the late 1970's.

In closing, let me mention, that if we were to change our current programs, the most obvious thing to do with the unemployment compensation program would be to make extended benefits more readily available. With title III of JTPA, the key would be to assure availability of training through some entitlement, which trade adjustment beneficiaries now have for their training services.

With respect to the training programs, I did want to mention that one problem with both JTPA title III and trade adjustment is that the evaluations of those programs have not been sufficient for us to know exactly what we are getting for the money. In other words, how much are we improving the transition of those peoples careers compared to what would have happened without the programs? We do know that about three out of four entrants find jobs, but at hourly wages which are about a $1.50 less than the U.S. average wage.

As I said, trade adjustment assistance beneficiaries are entitled to training unless there is an agreement with the Secretary of Labor to waive training in individual cases. They also qualify for job search and relocation allowances as necessary. Thank you.

[Mr. Storey's statement may be found in the appendix.]

Chairman WYDEN. Thank you. I also thank you for the help you have given to our subcommittee.

Mr. Polzen.

TESTIMONY OF PAUL E. POLZIN, DIRECTOR, BUREAU OF BUSINESS AND ECONOMIC RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION, UNIVERSITY OF MONTANA

Mr. POLZIN. Thank you, Congressman. I am Paul E. Polzin. I am the director of the Bureau of Business and Economic Research, School of Business Administration, University of Montana, Missoula. I also hold the rank of professor in the Management Department.

I am a regional economist. For the past 21 years I have studied the rural economies in the Pacific Northwest. I have published my findings extensively in the regional economics journals. I am the past president of the Western Regional Science Association. I was the chairman of the Pacific Northwest Regional Economic Conference.

I am a member of a study team of university experts organized by John Beuter of Mason, Bruce, and Girard, Inc., a firm of con-

sulting foresters located in Portland, Oregon. The purpose of this study team was to examine the social and economic impacts of implementing the conservation strategy for the Northern spotted owl. My role on this study team was to investigate the possibility that other events would mitigate the job losses in the wood products industry.

It has been suggested that industries which further process wood could substitute for the lost primary wood products jobs. These are called value-added wood products industries.

Specifically, my job was to assess the likelihood that the jobs lost in timber harvesting would be replaced by jobs in the industries that further process wood. Examples include firms that manufacture furniture, mobile homes, packing crates, kitchen cabinets, and the like.

The findings of my research can be stated very simply and concisely. The data clearly show that access to markets rather than a nearby source of timber has been the primary determinant of the location of most value-added wood products industries. That is, most further manufacturing of wood products occurs near the market in which the goods are sold rather than near a source of raw materials.

The reason for this is transportation costs. Manufacturing processes that produce outputs that are heavier or bulkier than the inputs tend to locate near the market in order to minimize transportation costs. In other words, total costs are lower when kitchen cabinets are assembled near where they will be sold rather than near where the wood was harvested.

I studied 17 specific wood products industries. In 11 of the 17, statistical analysis concluded that market proximity was more important than resource availability in determining their location. These 11 wood products industries include most of those that are often suggested as replacements for timber harvesting—kitchen cabinets, boxes, containers, mobile homes, home and office furniture, and so forth.

What does this mean? It suggests that jobs lost in the harvesting and primary processing of timber are unlikely to be replaced by jobs in the value-added industries. Specifically, our study team concluded that the implementation of the conservation strategy for the spotted owl would cost about 44,000 timber industry jobs. Almost all of these jobs are in sparsely populated rural areas. The odds are slim that they would be replaced by jobs in value-added wood products industries. These industries tend to locate near their markets—that is, near cities.

The Pacific Northwest is relatively unpopulated. This suggests that most of the growth in these value added industries will occur elsewhere in the Nation.

Turning to a slightly different topic, it has also been suggested that the job losses in the wood products industry may be of little consequence because the economy of the Pacific Northwest is booming.

The region-wide statistics for the Pacific Northwest are deceiving. Most growth has been occurring in urban areas—primarily near Seattle and Portland. The trends in most rural areas are very different.

For example, our study area included 16 rural counties in Oregon. In 11 of those counties, the population growth rates were below the Statewide average, and 5 of those counties experienced recent population declines.

The same is true in the State of Washington. There were 14 rural counties in our study area. Ten had population growth rates less than the Statewide average and two of those counties experienced population declines.

The rural areas have been experiencing below average economic growth. However rosy the region-wide totals, the areas where timber industry jobs will be lost do not, for the most part, have robust economies.

In conclusion, my research suggests that there be two components to a job retraining program for displaced forest products workers in the rural Pacific Northwest. The first is the traditional job retraining. The second component has to take into account the special situation in the Pacific Northwest.

Specifically, as Professor Lee, my colleague at the University reports, there are not likely to be many new job opportunities in the area. In addition, Professor Robert Lee of the University of Washington reports, the loggers and primary wood products workers have a unique set of values, which must be taken into account if retraining efforts are to succeed.

I would like to respond to Mr. Van Erden. He said that although the source of the dislocations varies, the needs of the impacted workers, their families and their communities are very similar.

Our job losses will be in the rural West. They involve unique economic and social conditions, such as isolation, slow growth, and social atmosphere. These are all unique to the Pacific Northwest. This suggests that a single set of policies that applies for all areas may not be appropriate. Thank you.

[Mr. Polzin's statement may be found in the appendix.]

Chairman WYDEN. Thank you very much.

Mr. Lee.

TESTIMONY OF ROBERT G. LEE, PROFESSOR, SCHOOL OF FOREST RESOURCES, UNIVERSITY OF WASHINGTON

Mr. LEE. Thank you, Mr. Chairman. I am pleased to be here, and appreciate the opportunity to share concerns about dislocated forest product workers. My name is Robert Lee. I serve as a professor at the College of Forest Resources, University of Washington.

As a sociologist and a forester, much of my research has focused on forest-dependent communities. I bring a diverse professional background to this task, and have worked for all major types of forest landowners except the Bureau of Land Management.

Before seeking university employment, I worked for the forest products industry, U.S. Forest Service, and National Park Service. I take pride in maintaining an independent, professional stance on controversial natural resource management issues.

My objectives today are to address the needs of dislocated wood products workers and to discuss implications of mitigating worker dislocation. For purposes of social impact assessment, I recommend use of the total number of job losses regardless of cause and timing.

Hence, I suggest inclusion of those jobs that would be lost as a result of implementing the forest plans along with the additional jobs that would be lost by implementing the spotted owl conservation strategy.

People impacted by harvest reductions will not know what caused job loss and will blame the owl decision. Moreover, people who are engaged in social service and program planning won't be able to distinguish cause in setting qualification for program benefits. Program planning must, therefore, be based on total job losses expected.

A severe, but short-term, timber supply crisis will result from implementation of the owl conservation strategy. This has the potential for causing a long-term rural crisis.

There is a widespread view that worker retraining, relocation, counseling, and other programs will reallocate rural labor. But there are several reasons why labor markets will not necessarily work well to reallocate people to new jobs and locations.

Congressman Swift has already summarized results from research I have reported on worker adjustment. Hence, I will reinforce what he has already issued as testimony.

Some of the reasons why people may not adjust readily are: Violations of trust in Government resulting from of abandonment of sustained yield plans; a severe cultural conflict between the rural industrial workers and environmentally sensitive urban service workers; and vilification of the logger.

These complicating factors pose threats to individuals and create a situation that is far more difficult to work with than a normal economic dislocation. Those communities and rural areas that are most heavily impacted are likely to find themselves sliding into rural poverty, with poor education, poor health care, increased lawlessness, and hostility toward outsiders.

I have compared the dislocation of wood products workers with other situations, and have worked with social workers in the Northwest to try to understand what may happen to dislocated workers.

All economic dislocations, are stressful and cause impairment of cognitive and emotional functioning. Stress can limit the ability of people to take advantage of training programs. In this sense, the displaced wood products workers are similar to those dislocated from the defense industry, or those affected by the Clean Air Act. However, dislocation of wood workers is more complex than job losses in these other occupations.

Geographic isolation is a major factor complicating the life of dislocated timber workers. People in isolated communities risk losing their homes, and may be forced to walk away from their life savings when they have to give up their homes. I compared wood products workers with those dislocated by the farm crisis in the early 1980's, because of the similarities in lifestyles and work ethics.

The farm crisis was different because it was caused by an economic recession, whereas dislocation of wood products workers was caused by a political reallocation of public assets. That makes a lot of difference to the people involved.

The Government demonstrated a sincere concern for farmers, and the Nation as a whole rallied behind them with Farm Aid and

other publicity events. Farmers felt connected to the larger society and were not vilified.

In addition to augmenting social services, retraining, and reindustrialization programs, the most important Federal action that could be taken in cooperation with States would be to reexamine the fundamental institutional arrangements for managing Federal lands.

Mr. Chairman, I agree with your assessment that this is not a normal situation. The rapid rate and magnitude of change, together with the characteristics of these communities, require a fundamental rethinking of assumptions about how we manage our public lands. We have had a bottom-up land management planning process that brought together local, regional, and national interests to construct socially acceptable plans.

The proposed owl conservation strategy has placed emphasis on a top-down process that relies on the authority of science and the Endangered Species Act. Top-down planning is unlikely to work. We face a critical choice of allowing a rural crisis to emerge or constructing institutional arrangements that will promote orderly change.

Experience with international development has shown that orderly change can be achieved by extending rights to local populations when national elites deny economic opportunities to local populations. New approaches to sustained yield arrangements are needed. The basic constitution of Federal ownership and management needs to be reexamined.

Let me close by emphasizing the need to frame dislocated worker programs in a broader content. The cause for dislocation is not as simple as an endangered species. The wood products workers are caught in a bind caused by a shift from an industrial society to an informational-based society.

People whose lives have been shaped by the ideals of building an industrial society are mystified. This change is analogous to the shift from an agrarian society to the industrial society in Europe. The United States went through this change following the Civil War. I urge you to approach mitigation programs within a broader framework, and to look for institutional arrangements that will approach orderly change.

I have spent a lot of time in Japan studying the transition of rural agrarian people to an industrial society. The Japanese have placed enormous emphasis on basic education and training.

They have also emphasized the need to provide raw materials. You cannot have rural people following an entrepreneurial lifestyle unless they have material to work with, and secure supplies of this material.

In addition to basic education, training, and wood supply, we need opportunities for diversification into tourism and other industries. This will require opportunities for risk capital. Most importantly, we need to protect and expand the entrepreneurial climate. Entrepreneurial activity is what built these communities. Such activity will lead to the greatest success. Thank you very much.

[Mr. Lee's statement may be found in the appendix.]

Chairman WYDEN. Thank you.

Mr. Greber?

TESTIMONY OF BRIAN J. GREBER, COLLEGE OF FORESTRY, OREGON STATE UNIVERSITY

Mr. GREBER. Thank you, Mr. Chairman. I am Brian Greber, assistant professor of forest economics at Oregon State University's College of Forestry. The most recent study I have been involved with was done at the request of Governor Neil Goldschmidt to look at conservation plans for the northern spotted owl and what the implications of the conservation strategy were in light of all the other land management changes taking place in the State of Oregon. With the help of Norm Johnson and Gary Letteman we put together our study as an update of another recently released study from Oregon State University looking at the changing timber availability in Oregon.

I do have a background in the value-added manufacturing sector that most people are looking to for some growth potential in Oregon. I was operations scheduler for Contact Lumber Corporation, which is one of Oregon's largest secondary wood products manufacturing firms.

The numbers coming out of Oregon State have been somewhat in the middle of the road compared to some others in terms of timber and job impacts. Our estimates are that with the public lands conservation strategies, we are looking at a 14 to 21 percent declines in timber availability in the 1990's and in the longer term, that is in the beginning of the 21st century, a 21 to 24 percent decline. The rate depends upon what actions private land owners take in response to curtailed public supplies.

Despite declines in timber availability, we estimate growth in the Oregon State economy. We estimate growth rates anywhere from 1.4 to 1.7 percent, depending on the scenario for timber in the State.

What must be noted is that a lot of that growth will be along the I-5 corridor and in the coastal area. To put that in perspective, one must understand, whereas timber industry in the State as a whole accounts for 7 percent of the State's wage and salary employment, and 36 percent of the manufacturing employment. When one moves outside of the Portland and Salem metropolitan areas, you are looking at the timber industry accounting for 14 percent of total employment and 64 percent of manufacturing employment. So if you isolate the nonmetropolitan areas, the picture of the industry changes quite a bit.

The impacts will be spread throughout the State. We are looking at the declines in timber harvests being over 20 percent in every region outside the north coast region. Associated with that harvest decline is timber industry employment declines that even in our best-case scenario would be 12 percent declines outside the north coast region, and those could extend to as high as 30 percent if private lands are significantly affected by State conservation plans for the northern spotted owl.

While there will be growth, that can be somewhat misleading. We estimate that for every timber industry job displaced there will be approximately one other job displaced. A lot of people want to call this lost growth opportunities, but I view it as more than just lost growth opportunities. It is hardly comforting to a worker who

loses his job in Sweet Home to see two out-of-State immigrants in Portland gain employment.

We project real average worker wages to decline in the State, despite a growth in the number of people employed. I think it must be pointed out that there is going to be a great geographic distribution in the impact, that the communities are not isolated to one certain area in the State.

There will be communities throughout western Oregon that are going to be impacted. Trying to mobilize the social services to deal with that geographic distribution is going to be difficult.

In aggregate, the changes in management of public lands may be determined an economic crisis for many individuals, households, businesses, and communities throughout western Oregon. Statewide growth in metropolitan areas will diminish the overall economic impact. While the implications for the State in aggregate are not alarming, many rural communities may face a bleak future and the social implications have Statewide ramifications.

[Mr. Greber's statement may be found in the appendix.]

Chairman WYDEN. Thank you very much. In the interest of time, I am going to ask only a couple of questions. I want to know if it is not reflective with my concerns of your views. Let me start with you, Mr. Collins.

We wanted a whole lot of other wood workers to be here, but, obviously, when folks are facing that economic plight, they don't have the resources to jump on United Airlines, and come back to Washington. To some extent you are really speaking for a lot of folks out there. I wanted to give you thoughts on a couple of concerns.

I read your statement real carefully, and it seems to me, what you are saying—and it is very important—is that people mean well. It is not as if somebody is getting up in the morning and saying let's devise a bad program for Mr. Collins, people mean well.

But it seems what you are saying is to a great extent the programs as they are written now aren't very realistic in terms of really getting folks in a position to being on their feet, making a wage that is close to what they should be making. Is that a fair summary?

Mr. COLLINS. That is very true. That is what I found in the program I went through. Most mill workers and loggers, they are not too adept at punching keys on some computers, and most of those kinds of jobs aren't available in their towns, areas, or regions anyway, and that is what it mostly consists of, computer science and that kind of work. They are about as adept at that as I am testifying here, which as you can see, isn't too great.

That is absolutely right. They need some kind of training at jobs that a person can work with their hands, and that is what they have done, and that is what we have done. That is why we got into that kind of work in the first place, a lot of us, because we could do things with our hands.

Chairman WYDEN. Why do you think these programs seem to be coming at things in such an unrealistic sort of way? Are the managers not talking to the workers and setting them up, or do you get any sense on that?

Mr. COLLINS. I think that is probably part of it. I think also it is the people who are designing the programs, that is the kind of work they do, and they think everybody does it.

Chairman WYDEN. They design programs and they go that way, and the needs of the workers go the other way and somehow the twain isn't met?

Mr. COLLINS. That is my feeling. They are designing programs for jobs they would want to do, instead of something a logger might want to do or could do.

Chairman WYDEN. Let me ask all of our panel members this question, and it really is something that touches on what you, Mr. Polzin said, is that the way the existing programs are set up, it is almost as if what you might do to address unemployment in an auto town is what you ought to be doing to address unemployment, say, in southwestern Oregon in small mill towns. Is that a fair recitation of what you think is wrong with today's approaches for these unemployment programs?

Mr. POLZIN. In my research in the last 20 years, we found that lumping all of rural America into one category just does not work. The rural West is not like rural Tennessee, it is not like rural Kentucky where you can locate an automobile plant there. These kinds of projects have not, and probably will not happen in the rural West.

Chairman WYDEN. Let me ask for all of you, do any of you share the view of the Department of Labor, as represented here today by Mr. Van Erden, that existing programs are going to really address the need that we are going to be seeing in the Pacific Northwest?

Mr. POLZEN. Let me comment. I don't believe existing programs are capable of meeting the need for this unique problem. One of the major flaws I see in JTPA, EDWAA, is the fact that the criteria is set toward quick placement for—while it is programmed in terms of retraining, as you have heard from Mr. Collins and others, it is not truly skill upgrading training.

It is training on how to conduct yourself in an interview. It is training on how to prepare a resume. It is training on how to search for job openings throughout the region. It is clubs that get people together so they feel good and prop themselves up emotionally. Then once a person is rushed through these programs, while I think it is praiseworthy to get people in gainful employment, I think the net outcome—the net result really most times is to get them in another employment opportunity, usually lower pay, because there are no alternate job opportunities available in rural Oregon, Washington, or California.

Then you have the next cycle of an economic downturn, the same individuals are thrown on to the same scrap heap because their resources haven't been improved and skills upgraded so they can transition and really have the education necessary to take these repeated hits.

Chairman WYDEN. Mr. Beuter, your view on existing programs?

Mr. BEUTER. I don't have personal knowledge whether the existing programs are going to do us any good, but I would like to make a comment. Our first priority ought to be to avoid having to use those programs by looking at our options for preserving the jobs that now exist, by keeping the harvest at reasonable levels.

We spent over $1 billion in forest planning, and a lot of that in the Pacific Northwest. We know what the capability of those forests are, including in those plans substantial amounts of old growth set-asides.

We have an approximation of what we could harvest with those set-asides, and we ought to be working at the margin to both provide the environmental protection, the wildlife protection, and job protection, by keeping the harvest as high as we can, while still providing for those other concerns. I don't think we have looked hard enough at those options.

Chairman WYDEN. Mr. Collins, would you like to add anything, or do you think you have assumed it up?

Mr. COLLINS. I agree, the programs, at least from my experience, and a couple of others, that some of our guys—some of the 400 of our guys went through, I really don't know of anyone who really bettered themselves.

Chairman WYDEN. Mr. Lee, existing programs?

Mr. LEE. I think we have to address some fundamentals about what has already happened and what is likely to happen as a result of the conservation strategy. Needs are not as simple as job retraining. I would like to go into a little more detail about what I have learned from social workers.

What we are experiencing already, and what we are likely to experience on a very large scale will be substantial psychological harm to individuals. People who go through this kind of stress may develop symptoms very similar to what we have seen in Vietnam veterans with delayed stress syndrome.

When they experience such stress they are unable to function normally, and cognitive and emotional behavior is impaired. This increases the likelihood of family disasters, substance abuse, elevated rates of suicide, and so forth.

When people are experiencing that kind of stress they are not going to be able to respond effectively to Federal job retraining programs. Hence, the first step is to ask how we can put a floor under people to keep them alive and healthy so they can make a transition at a later date. Management of such stress will require an awful lot of money.

I was very pleased to hear Mr. Collins talk about how important working with peers was to his adjustment to job loss. That also was found in the farm belt. When farmers could get together with peers, they could begin to come to grips with what had happened to them and look for alternatives. What we have seen, and I think we will continue to see, is that the people in these timber-dependent communities don't want anything to do with Federal or State bureaucrats coming in and trying to socially engineer their lives.

These are proud people, they are self-made people, and they believe in the American way, in hard work, and in doing a good job. When they have to go in to the welfare office or retraining office it is an admission of failure and a loss of face.

We have to come to grips with people as they are in their own culture, and then talk about how to insert the Federal retraining programs. Thank you.

Chairman WYDEN. Professor Polzin? You really answered it already.

Mr. POLZIN. One more comment. I would like to emphasize the point John Beuter made. We should try and get the most out of our existing forests. At the State level many of the economic development agencies spend a lot of time trying to find new industries to lure into an area. Probably your most effective economic development tool is to try to do something with the existing industry and the wood products industry is an existing industry in the Pacific Northwest.

Chairman WYDEN. Mr. Greber?

Mr. GREBER. I say there are two things that need to be considered. One is the relocation issue itself and the amount of personal equity that stands to be lost in the course of relocation.

The other thing is the changing nature of the industrial structure in Oregon. Where we see growth, is in the nonmanufacturing sector: Primarily in business services, legal services, medical service industries, which are all very high skilled type service industries. The retraining could be very difficult to get somebody up to the level necessary to move into those industrial sectors. Some growth is also in the lower paying wholesale and retail trade sectors. The issue of relocation and the issue of industrial structures that might not permit retraining, have to be considered.

I will also volunteer at this time, as far as industrial structure goes, a lot of people are looking toward secondary wood products growth to offset some of the declines in primary manufacturing. I think that we ought to be looking at the fact that right now that secondary wood products manufacturers in the State of Oregon are importing wood to keep their mills running at current levels.

The wood we are taking off the market is for the most part generating the lumber that is feeding Oregon's currently existing secondary wood products industry. So retraining in that area could have questionable impacts.

Chairman WYDEN. Mr. Storey?

Mr. STOREY. With regard to unemployment, the current system is really designed with the type of person in mind that has been laid off from a plant and is likely to have that plant job back in a few months, or the person who loses a job but lives in a community where there are other jobs available and, within 4 to 6 weeks they can find another job somewhere.

It is not really directed toward the situation where long periods of unemployment occur within a region where there are very few jobs available. The extended benefits program which extends unemployment compensation from 26 to 39 weeks is very limited in its availability.

The House Ways and Means Committee is currently considering legislation that would expand that. One of the interesting things it would do in regard to your situation is it would allow sub-State areas to have extended benefits so that the whole State wouldn't have to trigger on, but again the full committee hasn't acted on that yet.

With respect to JTPA training programs, it seems to me there are two problems. One is just the amount of money available. The Department of Labor testified that there are discretionary funds that can be moved to Oregon and Washington to meet these needs. That is true. The question, is how much money can they move? If

this situation turned out to be a very costly proposition, you would wind up taking so many resources from the program that the rest of the country would be up in arms because their own particular unemployment problems wouldn't be met.

The other problem is cash support while people are in training. The Department of Labor mentioned that there is some support through title III. We haven't seen much of that done. I expect that is because income support costs a lot of money. Those are the two problems with the current program.

Chairman WYDEN. That is very helpful, Mr. Storey. All of you have been very helpful. Frankly, I agree with much of what you have to say.

I am a co-sponsor of the DeFazio bill that would look at the ways to mitigate job loss. I think it ultimately comes back to what you said, Mr. Collins, and that is that it is a sort of never-never land to operate on the notion that somebody who has worked at the one mill in town for 15, 20 years, is going to take off their work boots and suddenly go get a job in high tech or some service industry.

That is just not in the cards, as far as what is out there in the real world. I wish we could have had a whole room full of unemployed woodworkers and loggers. Folks in those kinds of straights can't come to Washington, but I want you to know and hope you can get the word back we are going to try and put a dose of realism in some of these programs and try to reconfigure them and shape them, so when people in Florence and the other parts of the Southwest Oregon face what is ahead, there is something there with a realistic prospect of really doing what they need, which is to find a family wage job in a field they can get trained for.

I think you set the tone, Mr. Collins. All of you have been excellent and very little do I disagree with in terms of what this panel has had to say. Obviously, we have got a big load of hay to bale. This is going to be tough work. We will be working with you and I thank you for your patience.

Our next panel, Robert Buchanan, director, Oregon Economic Development Department. Mr. Isiah Turner, commissioner, Washington Employment Security Department, Olympia, Washington.

Gentlemen, we welcome you. We thank you for your patience. Bob Buchanan and Mr. Wyatt, we know well and appreciate your good work.

Mr. Turner, I understand is unable to make it and Mr. Malo, you are with the Washington Employment Security Department and you will be representing the department throughout the presentation.

Gentlemen, let me get rid of the formalities and swear you all in at this time. Please raise your right hand.

[Witnesses sworn.]

Chairman WYDEN. We are going to make your prepared remarks a part of the hearing record. Let us begin with you, Mr. Buchanan. If you could try to summarize in 5 minutes or so your principal views. That will give us some time for questions.

TESTIMONY OF ROBERT BUCHANAN, DIRECTOR, STATE OF OREGON ECONOMIC DEVELOPMENT DEPARTMENT

Mr. BUCHANAN. I am Robert Buchanan, director of the State Economic Development Department for Oregon. With me is George Wyatt, who is administrator of our Policy and Planning Unit, which supports me in our task unit.

A couple of comments, just to set some basic line information that is going to be important for us to appreciate some of these statistics that have come out in previous testimony, but I think it serves us to reiterate those.

On the testimony presented we lay our review out of the basic issues in two categories. Those sorts of timber supply reductions that have been more insidious, meaning they are accumulating over time, they take on the form of creation and expansions of parks, of wetlands, and scenic reservations, of repairing management areas and esthetic vistas, that all take pieces of the finite timber supply out of the equation.

Those sorts of management adjustments to date will actually—to 1995—will wrench out of the industry about 4,500 direct jobs, an additional 6,000 in direct jobs for 10,500.

When we look at the Jack Ward Thomas Conservation Plan, which is the only known quantifiable sort of impact on the timber supply, we have to extrapolate an additional 6,600 direct jobs, and 7,900 indirect jobs, for a total of 14,500, creating 25,000 cumulative job losses within the industry.

That is just dealing with the public lands, Federal lands, and State lands. In the State of Oregon over 50 percent of the timber base is controlled by the U.S. Forest Service and BLM.

Something less than 10 percent is State, and the balance is all in private lands. When we review what we think is valid and productive for response to these sorts of employment losses, we have to draw to four different conclusions.

We apply our response to timber supply mitigation with the priority being they are saying we think it is possible to maintain these harvestable yields at something close to current levels.

Obviously, attacking a high priority for substantial targets at the same time, but first and foremost is where we can get these people employed is back in the communities where they are currently, in the industries they are currently operating in.

Barring failure on that, and we understand we will be more or less successful in all of these five categories, we will be able to keep some in the industry and some will not be able to stay in the industry.

We look at the need to communities to respond to their ability to attract either new industry into the community or support expansion of small businesses within those geographic locations.

In addition to that is the industry assistance which takes on the efforts to help an industry diversify into more value added sorts of products, and to ensure that they have access to information that will allow them to plus into those opportunities as rapidly as possible.

Last, but concurrent to these activities is those worker assistance sorts of programs that come through JTPA that come out of De-

partment of Human Resources that are related to the needs of individuals. Clearly, the priority for us is to try to maintain these timber supply harvest figures at as high a rate as possible.

As we looked at the relationships of the different agencies as they apply their services or their programs to each other it is clear we have to have a high degree of coordination and partnership in order to do this, and within the State I think the Governor has mastered this by creating the task force. We have a bigger partner with the Federal Government. We have had some similar relationships with the U.S. Forest Service and the Department of Labor.

They have more or less been somewhat more productive but we have seemed to hit some snags, particularly information we think is important about public works sorts of jobs that can be instantly opened up and financed—a lot of this within the U.S. Forest Service or the BLM. What I think you will find within Oregon's status report on our response to timber supplies is a practical or realistic approach to what we could do.

As you have heard here this morning there is a whole litany of variable continuum of people that are going to—on one end of it be able to pick up, retrain, move in to maybe another metropolitan are and find a high paying job. Others that will not be able to move out of the community at all and we have to gear our programs to touch all of those bases. We are going to be applying our programs so we can find those small businesses that can expand within the community.

We are looking for new businesses that can come in. We are also going to assume a fair portion of these people will not find jobs in these communities and how do you assist them in finding those new jobs.

Retraining them, transporting them to the training site, also providing income maintenance support for medical assistance, child care, all to be able to fit their niche requirement.

Those are all very difficult tasks, and the reality is that we will be having available degrees of success and we have to apply a whole menu of programs.

The community assistance sorts of programs I alluded to earlier are of particular importance, as we look at which communities are going to be able to draw in either new businesses or support expansions of businesses whether it be for value added timber products or some totally different sort of industry it largely depends upon their access to highways, arterial areas, airports, and communications systems.

Where a lot of these communities are small populations bases, a few hundred, a few thousand at the outside that becomes problematic for some communities.

Others will find those new business opportunities more easily than others, and we have to get into the communities and the community assistance program provides that opportunity where we go in and talk with the people, the laid-off workers, and talk with the community leaders to find out what is real, what is an actual opportunity for those people.

The industry assistance programs we rely heavily upon are joint ventures with the Federal Government, joint ventures with the private industry, and these are all new creative sorts of programs that

are coming in to this system within the last 1½ to 2 years as we look at the management adjustments that were inevitable.

We have programs that go out into the community to identify with the community, with the people, with what they believe their opportunities are and their threats and how to go about mitigating some of those dilemmas.

Our problem in actually being successful is also a shortage of funds, a shortage of human resources to go out and spend that time, and once we find the opportunities to make the investments in a human capital or infrastructure investment.

Shortages in worker assistance programs are perpetual. We have been trying to work with the Department of Labor and as pointed out earlier, I have had different degrees of success.

As we look toward our JTPA dislocated worker programs, and appreciate that as we look into this current program year, that we will by October, have expended all of our State discretionary funds, and have not dealt with three quarters of a year yet to come, and that obviously has driven off some ballooning, mushrooming figures of unemployment that we have to respond to.

I am not sure we are catching the administration's understanding or ability to accept that sort of notion at the current time, that leaves us with figures in the range of $9.9 million to address some of these JTPA-driven programs.

That doesn't speak at all to the needs sorts of programs, the food stamps, the medical attention, the health programs, drug and alcohol abuse programs, all that will be driven very aggressively by these large numbers.

At this point I will turn it over to George Wyatt, who has been working with the desk-top analysis for further definition.

[Mr. Buchanan's statement may be found in the appendix.]

TESTIMONY OF GEORGE WYATT, DIRECTOR, OREGON REGIONAL STRATEGIES PROGRAM

Mr. WYATT. My name is George Wyatt. I am administrator for the Partnership Policy and Planning Division at the Oregon Economic Department. I wanted to address most of my comments to some of the work we are doing with the Forest Products Committee which is co-chaired by Bernie Agrons from Klammath Falls, in the desk-top analysis, and direct a few of my comments in response to staff questions with regard to JTPA program as it is delivered in Oregon.

The purpose of dislocated worker desk-top analysis as we are conducting it in Oregon is to bring a group of experts together which can exercise judgment and experience as it relates to better defining our understanding of the dislocated worker.

In that regard, we are specifically trying to put some definition to the scope of the training need in terms of the dislocated worker. That is is it big or small? Is it short term, long term?

Let's build some parameters around this so we get a handle on what it is and we can look at programs to see if the programs are addressing what the defined need is. In addition to that sort of a spinoff of this desk-top analysis will be the capability of building an interagency action plan which will allow us through an early inter-

vention system to reach the dislocated—the potential at-risk worker as soon as possible, after potential notification of loss of job.

Also, the desk-top analysis focuses on principal job impact loss. We acknowledge secondary impacts, we know that is important, but we are looking very specifically at what it means in terms of dislocated workers, in terms of principal job loss.

To give you a sense of what we are doing with this desk-top analysis to trying to identify the numbers and kinds of jobs that are at risk, that are going to be lost.

The capability in terms of the learning of new skills of those people that are most appropriate to lose jobs, recognizing it is going to be important for workers to get some training so they can gain new knowledge, skills and abilities that they can compete in a competitive job market.

We are trying to match that information with what the number and kinds of jobs area that are being created, and then the identify of where the transfers can take place and where training programs can assist that whole process in a most effective way.

In that regard, and particularly, we want to make sure that if we take workers through a training program that there is a job at the end of the training program, that we are just not doing an exercise in training. So we want to make sure we are targeted toward current and future job opportunities.

We have identified in the desk-top analysis some very basic profile information, a little different from what you heard before, a little more specific to the worker.

About 91 percent of the dislocated workers that we have dealt with over the last 18 months are male. They are white, 94 percent of them, 24 percent of them did not complete high school education, 64 percent, however, did complete and interestingly enough, 12 percent of those dislocated workers have post-high school training. Some have advanced degrees, but prefer, for whatever reason, to be in that type of work environment.

The average age is 36, with 68 percent being below age 40, and 32 percent being above age 40. That is a lower average age than we saw in 1982, and part of that was because a restructuring of the industry took place, at the time a lot of the older workers apparently did not return to that particular vocation.

There is an attitude that we should share with you in Oregon regarding retraining, and that is retraining can be focused on additional skills needed by workers, instead of some general sense of retraining and running everybody through the same kind of mold and with the starting up mentality.

We are not starting over its building off of where the current dislocated workers are today. Building on the skills. We acknowledge it is likely to be more important to workers to be retrained in a job area that is close to the type of work that they are having to leave. It allows them to retain some of their dignity, sense of selfworth and a lot of that is all tied around the basic capability of earning a livelihood.

Our desk-top analysis has pointed out for us some very clear indicators I would like to share with you. For example, there is inadequate resources necessary for individual assessments. Group assessments aren't where we need to be, we need individual assess-

ment of skills. Typecasting is a problem. Everyone cannot be treated the same. They are in different circumstances, individually and the community.

There is inadequate support systems during retraining. People cannot stay in a training program if they aren't able to maintain basic life-support systems. There is a limited understanding of the emotional bridge that links future opportunity with opportunity loss.

The time is a critical factor. This is happening now, today, in Oregon as was happening yesterday, it is already in the process. There is an inability to measure an attachment to community of dislocated workers. That raises a question of relocation, and our desk-top analysis clearly shows that relocation depends on location. That is where you are as a factor that influences the ability or inability in relocating.

Highly resistance—the highly-resistant population to relocation will probably go through a change in career, rather than try to maintain their existing career and relocate to some other part of the State or Nation.

Now I would like to spend a couple of minutes if I could responding to some specific questions asked us regarding JTPA, our current program success. We feel we have been working through JTPA successfully reemploying dislocated workers, and that we are meeting some of the basic needs.

However, funding is clearly inadequate. I wouldn't elaborate on that too much because you heard that before. But during the program year of June 30, we served 2,400 dislocated workers through the JTPA program.

We expect, as Director Buchanan said, that depending on the extent of impact, we could be looking for another $16 million-plus to retrain workers over the next 5-year period.

With the focus on long-term training to get people into fully competitive positions in the job market, there needs to be additional support services to keep them in place, including health care.

JTPA programs has successfully trained and placed dislocated workers. Our rate is about 80 percent of the people we have worked with in the timber and wood products have found need job placements.

To give you some examples of the type of industries they relocate in. Lumber and wood products workers tend to move toward varied mechanics-type vocations, light manufacturing, sales and service, hospitality and tourism occupations, and an increasing degree of interest in intramural training or self-employment.

Questions about whether or not there are enough funds available and the pay range that people move into. Through retraining the wage rate tends to be about 15 percent lower than what they left. That often puts them—in fact, it puts them in our case between $6.20 and $8.50 an hour. In most cases, that would barely be a family wage job. Length of retraining varies by region and occupation. Basically readjustment services can be relatively short 4 to 6 weeks.

Job search assistance, maybe 90 days. But when we are talking about significant occupational retraining, we are not talking about the 26 weeks that workers compensation covers. We are looking at

1 year to 18 months, up to 2 years of training. On the job training could be 2 to 4 months. So there is a variation and there is different needs.

Grant assistance from JTPA under title III. We have had some support from Department of Labor at the Federal level. We ask for $1 million to work with 370 workers in Lane County, which is one of our high impact counties. We received $700,000 to work with 200 workers. That helps. It doesn't really address the magnitude of the problem.

We are currently at a state where with our current JTPA formula dollars, that will be out of money within the month and we have rest of the program year 1990 to figure out how we are going to serve dislocated workers in the timber and wood products industry. Maybe with those comments I would just like to make a couple of summaries.

As our director indicated, Oregon has plans in place, it is realistic, it is based on a pragmatic approach to dealing with the timber transition. We are putting human factor into the equation as we assist timber mitigation, industry assistance, and worker assistance.

Third point, we acknowledge and encourage you at the committee level to acknowledge that the impact on timber plans, and in listing the spotted owl is taking place now. It is an immediate need. We need to have a response plan to deal with that now.

Finally, on the fourth point, in terms of servicing dislocated or at-risk workers, we basically need four things: Extended benefits for unemployment compensation. Flexibility in program guidance so we can tailor them to the needs of the dislocated workers and the communities that they are in. Support services for dislocated workers so they can stay longer in their training program and complete it so they can compete effectively in the job market. Finally, simply, more resources so that we can serve the larger dislocated populations in the most effective way possible. Thank you, Congressman Wyden.

Chairman WYDEN. Mr. Malo.

TESTIMONY OF LARRY A. MALO, WASHINGTON EMPLOYMENT SECURITY DEPARTMENT

Mr. MALO. Mr. Chairman, and members of the committee. For the record, my name is Larry Malo, assistant commissioner of the Training and Employment Analysis Division, of the Employment Security Department, State of Washington.

On behalf of Isiah Turner, Commissioner of the Department, I am here today to offer our support to the concept for a new joint Federal/State retraining program to assist workers and their families displaced by environmental actions. The need exists to authorize a new program of employment and training assistance with adequate daily subsistence for displaced workers in long-term retraining activities.

For the record, I have prepared a written response to 10 questions that you asked of us.

In the time remaining, I will provide a summary of Washington's experience with the expected impacts of the nothern spotted owl habitat designations in the Northwest.

The Employment Security Department has participated in long-term planning to address the challenges faced by diminishing timber supplies. Washington's Governor Booth Gardner has assembled a timber team that includes the active participation of my agency.

During the past year, the timber team and members of my staff have assessed the impact of changes in the timber supply and considered strategies to reduce prolonged periods of unemployment for citizens of Northwest timber-dependent communities.

The overall theme of the Governor's direction has been stability and balance. The four major elements of the systematic strategies are: Balanced approach to Federal forestry management; log export restrictions; stability of private timber supply; community stability, including elements of worker, business, and community assistance activities that whenever possible, allow for local decisions by the affected communities and, workers and their families.

The written testimony provides a more detailed explanation of the Washington approach and responses to the committee's 10 questions. With the limited time remaining, I would like to focus on the worker assistance portion of the community stability strategies.

Forest industry workers and their families are concerned about pending Federal decisions of conservation plans for the spotted owl, as well as other Federal reductions of timber harvest supply on National Forest lands.

It is Washington's opinion that the entire country should be willing to share in the cost of environmental policies that cause unemployment. Our strategy is to secure necessary resources to help workers make the transition to new employment opportunities, as well as ease the pain of change. We believe there is no easy solution to the complex and sometimes confusing timber situation.

An important step the Federal Government could undertake is to earmark funds for specific dislocations and improve income benefits for workers enrolled in long-term retraining activities.

Our experience has shown that for a worker to commit to long-term retraining, continued income support is necessary. Current program guidelines are not sufficient to address this need.

We believe that the Federal Government has a special responsibility in cases such as the spotted owl protection plan to reduce the pain of change, faced by communities, workers, and their families.

We do support a new Federal initiative modeled in general terms like the elements of the Trade Adjustment Assistance Program with training and extended unemployment insurance benefits. The new training program must be coordinated with business assistance programs that provide for rural job revitalization projects and support of value added products.

Income and retraining assistance provides many opportunities for cooperative Federal, State, and private sector actions. The projected need to serve the estimated thousands of displaced forest industry workers far exceeds the resources currently available in my agency's dislocated worker type programs.

We recommend serious consideration to be given to the new program of retraining and daily subsistence for workers in training activities. In addition, resources should be considered for existing programs such as employment services delivered in job service offices.

I would like to take the time to share the experience of one training activity called New Chance. It is directed at some of the needs we see are deficient in the current programs.

New Chance has been used as a prototype. It is a program that provides for stabilization. It reviews English and math proficiency; tests assessing vocational, academic skills and interests; financial planning; self-esteem and assertiveness training; and how to best utilize training services in other programs. This is provided along with current labor market of and jobs on demand. This is to enhance the individuals decision-making ability with respect to vocational choices and participation in further training.

In closing, I appreciate the opportunity to present the Washington strategies for worker assistance in our timber-dependent communities. I trust that consideration will be given to the merits of a new Federal/State program to assist with retraining and daily subsistence for dislocated timber workers. I thank you for allowing me to substitute for Isiah Turner.

[Mr. Turner's statement may be found in the appendix.]

Chairman WYDEN. Thank you very much. Am I pronouncing it right, Malo or Mailo?

Mr. MALO. Malo.

Chairman WYDEN. Thank you very much to you Mr. Buchanan and Mr. Wyatt. The thing that is striking listening to you is you all are saying the problem is here, the problem is now. That is Billy Collins tells us, we have got the problem now.

I read the Department of Labor's testimony and on page 2, they basically say we have time, we have got time to plan an approach and make necessary adjustments. I gather from all of you, you don't think we have time, that we are already running short of money. We are not in a position to meet even current needs, and yet we have got this tidal wave coming. Is that a fair recitation?

Start with you Mr. Buchanan.

Mr. BUCHANAN. From Oregon's point of view, we think it is a fundamental difference of opinion. We look at it more the administration is trying to manage a fiscal issue instead of human resources.

Mr. WYATT. From my perspective, the views is it is often posed as a 1991, 1995 time frame to deal with so many workers. What we are spending in Oregon, the front end is happening now and it is happening fast and it is going to accelerate.

The problem is one we will have to deal with now. It will probably trail off maybe, but we need the plan of action and partnership with Federal agencies to meet the needs today.

Chairman WYDEN. In terms of human resources, while you can't calculate yet for the end of the year, you will certainly be millions of dollars short this year.

Mr. WYATT. We are out of dislocated title III moneys effectively—the decision has been made for our discretionary money, now. They will be distributed over next month and then we have the rest of the program year to look at. We may be able to access some

Federal discretionary dollars, I think it was 20 percent that was referred to, but the issue with that is if we ask for $1 we get 75 cents, and then it is also competing with everybody else for dislocated dollars out of that same pot. So there is a concern about how much of that our State and the Northwest generally would be able to access.

Chairman WYDEN. Any way you slice it, we are falling behind the curve. This notion that there is time to plan, that what the Department of Labor says at page 2 in their testimony is just wrong, that there isn't this kind of luxury to try to have another long-term approach when you have got the crunch right now.

Mr. BUCHANAN. The demand on the system is presently consuming all our resources.

Mr. MALO. I think that is a fair statement for the State of Washington, as well. The timber dislocation stacked on other closures taking place has put an enormous drain on the dislocated work mitigation efforts. I think that the need is definitely now, and the need is not only fiscal resources, but the flexibility to be able to deal with an issue that is not like any we have ever had recently.

Chairman WYDEN. You have read my mind, because beyond the funding, tell us if you would, what changes in the bureaucracy would you like to make this program run smoother so you get more of the dollars to really helping people and less of it chewed up in various kinds of red tape processes?

Mr. MALO. One thing that would help the system is if there were fast-track access to discretionary applications process that was described by Mr. Van Erden. Our experience has been that 35 days is very unlikely that that would happen. Dislocated workers generally are quite independent, quite entrepreneurial, and they want the discretionary application related to a particular event, closure. It is difficult to have the people available for the intervention once the money comes in.

Chairman WYDEN. Mr. Buchanan, Mr. Wyatt, on the procedure side, on the bureaucracy and red tape part of the ledger, what would be most helpful to the State of Oregon for the delegation to pursue in terms of making these programs work better for you?

Mr. BUCHANAN. I think a little more attentiveness on the part of the Department of Labor would streamline a lot without having to do a lot of mechanical things to the system.

Access, as Washington just pointed out to the discretionary dollars to a more rapid and streamline approach is a more attitude thing and a hard paper copy process that needs to be followed.

Also this isn't necessarily bureaucratic red tape, but decisions that allow for flexibility of existing dollars to be used in support care, child maintenance, that really becomes fundamental when you are an individual, to decide if you can afford the time. Those, again, are more attitudinal responses.

Chairman WYDEN. Mr. Wyatt.

Mr. WYATT. My comment would be there is a formula that is given to us that 50 percent of our discretionary moneys go for retraining and placement, and up to 25 percent could go for support services.

With that kind of rigid formula which was built around getting people back in a quick return basis to the work force, it doesn't

really give us flexibility to work with a long-term training need that may require different split for the allocation of those resources.

We have had a debate with the Department of Labor in regard to this and the basic sentiment to us was you have got enough flexibility in that 25 percent that you could serve fewer people with more extended training. But we are faced with more people coming in. We are caught here with needing to serve more people and needing to serve them longer with an equation set up that is designed to get fewer people back in the system quicker.

Chairman WYDEN. How did their argument go? They said you could serve—they said you could serve more people with more training with the funds that you were getting now?

Mr. WYATT. You take the same amount of money and instead of—up to 25 percent can go on support. So instead of spending 15 percent, for example, you jack up to the 25 percent, but as you do that for each single worker it gives you less money to serve the additional workers coming into the pipeline.

So the statement was sort of casually made, you make the decision to serve fewer people better. The real problem we have to administer the program is who are the fewer people we are going to serve, because there is a lot of them and how are you going to make that decision.

Our argument going back is we need to look at that question in a partnership context and see how we can more effectively address the training needs and the support income maintenance component of that to best deal with the long-term training.

Chairman WYDEN. You all have been excellent, and being on the front lines, I know you have got a tough job. We are going to do our best to try to convey the message to the administration that your statements are making in this testimony about how much there is and that we can let this go a little while longer before we get aggressive about it doesn't reflect reality. You have hammered the point home, and unless there is anything you would like to add further, we will excuse you at this time.

Mr. Paul Sommers and Mr. William Schweke, if you all would come forward.

Gentlemen, we make it practice of our subcommittee to swear all witnesses.

Please rise and raise your right hand.

[Witnesses sworn.]

Chairman WYDEN. The disadvantage of coming last, of course, is that sometimes almost everything has been said, but not every one has said it. We know you have some important comments that will give us further assistance in that. I am going to make your prepared remarks a part of the hearing record in their entirety. If in 5 minutes or so you could summarize your principal views, that will leave us some time for some questions.

TESTIMONY OF PAUL SOMMERS, RESEARCH ASSOCIATE PROFESSOR, GRADUATE SCHOOL OF PUBLIC AFFAIRS, RESEARCH DIRECTOR, NORTHWEST POLICY CENTER, UNIVERSITY OF WASHINGTON

Mr. SOMMERS. I am Paul Sommers, Research Director of the Northwest Policy Center, University of Washington. We have been involved in research on dislocated timber workers, on economic diversification opportunities in timber-dependent regions, and on training and retraining policy issues.

As many other witnesses have made points that I included in my prepared testimony, I am going to skip to the one section of that testimony that perhaps would bring some new points to the committee's attention.

One of the questions we were asked to address is when retraining efforts can be effective, especially in small and rural communities. I want to bring to your attention some models of retraining efforts which I think are very, very effective, and which are found in Europe.

If these examples are thought to be too far afield, let me read a slightly paraphrased quotation:

> These are people with solid skills, great pride, and in many cases born into families that have worked in the industry for generations. They had jobs that involved relatively great freedom and a high degree of individual responsibility. They are people who are unfamiliar with assembly lines and monotonous jobs.

This passage could have easily been written about a logger in Forks, Washington, or a mill worker in Oakridge, Oregon; however, it actually describes shipyard workers in Uddevalla, Sweden.

I think it points to a lot of similarity in dislocated workers stories and suggests there is something we can learn about effective retraining programs. The European dislocation programs started with basic skills upgrading for those workers who did not have academic skills equivalent to 16-year compulsory school graduates. Once academic competence was achieved or demonstrated, workers went to specific vocational training programs of up to 2 years in duration. During the entire time the worker received unemployment compensation.

Linkage to the labor market is a critical aspect of European models. This was accomplished by placing the responsibility for the dislocated worker in the local employment office. Those offices employed counselors who met with each worker, determined his or her competencies and interests, and developed a program unique to that specific individual.

Once the worker had successfully completed any vocational training involved in the program for that worker, the local employment office then had the responsibility to find a job for the worker.

In short that employment office could not discharge its responsibilities for the worker until it had found a job for that person, and until that occurred the person was either in a training program or working with the office in an active job search process. Linkage to economic diversification efforts is another critical aspect of those models. In Europe this required coordination between two and sometimes three separate ministries, always a difficult matter. It also required relationships between business, labor, and Govern-

ment. I think the Europeans are justly famous for the tripartite boards composed of equal numbers of business, labor, and Government representatives that are the governing boards of training institutions and economic development agencies at the local level, and that serve as advisers to ministries at the national level.

On vocational training issues, business and labor are often in complete agreement, and find themselves in opposition to the Government members. Successful economic diversification and retraining efforts in Europe can be linked to the social integration achieved by these tripartite boards.

In a recent study tour of western Europe, I learned about European responses to shipyard closures in Gothenburg and Uddevalla, Sweden; Hamburg, West Germany; and different parts of the country of Denmark. There are a number of differences in the circumstances of those shipyards as compared to dislocated timber workers in the Northwest, so I think we have to make a few adjustments in terms of how to apply these models in the Northwest.

In Europe you are dealing with urban examples and basically large firms. In the Northwest we see small and medium sized enterprises scattered among a large number of job sites. We will have to develop a large number of local strategies to meet the needs of each individual community. The basic lessons are that we need a combination of basic academic and vocational training and that we need to do that in a way closely linked with local economic diversification efforts, or it will not be successful.

I think that experience suggests we will have to look at substantial changes in the programs offered at the national level in this country. I would note that many of the suggestions that I have made are consistent somewhat with remarks Mr. Storey from CRS made earlier. The one specific objection I would make to the program he was offering is with respect to the certification process that seemed to be implied in his remarks in order for workers at a particular firm to qualify for a specific program. Unless that certification process happens very quickly and in a timely way, these workers will experience substantial periods of unemployment before they will have the opportunity to get into a retraining program. The Europeans constantly stress the importance of getting people into training before their job skills become totally obsolete.

There are four critical elements that ought to be there in an effective program. One, there ought to be business, labor, and Government involvement in cooperative efforts to the problems. Second, there ought to be economic diversification efforts to resolve increased employment opportunities in timber-dependent communities. Third, training options should include basic academic as well as vocational training, and four, there ought to be income assistance throughout the period of training. Thank you.

[Mr. Sommer's statement may be found in the appendix.]

Chairman WYDEN. Thank you.

Mr. Schweke.

TESTIMONY OF WILLIAM SCHWEKE, SENIOR FELLOW, CORPORATION FOR ENTERPRISE DEVELOPMENT

Mr. SCHWEKE. My name is William Scwheke, an economic and research firm.

Chairman WYDEN. Give our regards to Bob Freedman, a good friend who has helped us on many, many occasions.

Mr. SCHWEKE. I will. He has been working closely with the Northwest. Given that I am the last person here, I would like to go through my statement rather quickly and also underscore some of the points others have made. I want to note the work that we have been doing and make some recommendations having to do with the role that the Federal Government plays in assisting local communities undergoing economic dislocations.

I have been working with the Oregon Economic Development Community Initiatives Programs. That State decided in these timber impacted areas, Coos, Curry, Douglas, Land, Linn, Jackson and Josephine Counties, that they wanted to get these communities thinking more foresightfully about their future and economic diversification and development, and try to find a way to foster community leadership to come up with their own economic development game plan for these areas.

A colleague and I worked with them closely to work with a variety of communities throughout this area to develop their own economic game plans focusing on short-term immediate actions for diversification and community development, longer-term strategies as well as identification of strengths and weaknesses, opportunities and threats to their local economy.

From the work we have been doing the last year or so we have found many of the things the other panelists talked about. These communities are not in the catastrophe yet but they are suffering economic shakeout now. They are trying to move in new directions but there are limitations presented by lack of funding and lack of assistance. The State is doing a lot of work with these communities, but limited staff and limited financial resources has meant that the State has been stirring the pot but is not able to serve the complete meal at this point.

If you look at what has been happening in these communities they have a lot going for them. They are very livable. There are diverse recreational opportunities. Some are accessible to larger communities like Portland with a healthy economy. In addition, they have strong traditions of volunteerism. Many residents are trying to move their economy and lives and careers in new directions. But there is a lot going against them. They are still dependent on a timber industry whose future is uncertain.

There are also transportation deficiencies and problems having to do with not possessing enough industrial sites for plant relocations. Some communities are working hard to develop work force skills for the new economy, et cetera. But there are a range of problems facing them.

In addition, even though these communities are being assisted very closely by the Department of Economic Development on developing leadership and crafting new economic strategies and plans,

these communities are also facing difficulties because their technical expertise is very limited.

A lot of the areas in which they are moving focus on recreational opportunities and retirement communities. These are areas new for these communities. So they are needing more technical assistance and expertise to help with these issues. Many of these communities also lack enough professional staff and outside professional help to really assist them do what they need to do. So they are very dependent on what assistance the State can provide which is also limited.

So, they have opportunities with tourism, recreation, cottage industries, and secondary wood production, retail development opportunities, et cetera. But they are all still, at the same time, very much affected by this continued decline and restructuring of the wood products industries, and the uncertainty of environmental questions. They face a lot of leadership difficulties in terms of moving in this direction. In some cases there is turf difficulties and conflicts within and between communities.

In some cases they are being resolved, but there is not enough resources to move forward. In some cases the leadership is ahead of the community and in some cases the community is ahead of the leadership. What is lacking is a more active response from the State and Federal Government to assist them with what they need to do.

Quickly, I will go over, some of the actions that are needed and make a few recommendations to the committee. As everybody has been talking about, all these local economies need to diversify further. They need to invest in entrepreneurship and viable business opportunities. They need to upgrade local infrastructure and their labor force.

Training is needed for local leadership as well as continued help in strategic planning. Often they are too isolated from sources of information that could help them do economic development planning. For example, what are the factors for success in fostering cottage industries, becoming a bedroom community, or developing recreation opportunities. They lack information on these topics. They need to move on regional cooperation issues in terms of tourism and other areas. Here too they need assistance.

So there is a whole series of issues that need to be worked on and I think all these communities are trying to work on these. But what can the Federal Government do? Obviously, there is the large area of uncertainty having to do with the spotted owl and the timber issue.

But what is needed is an approach that is akin to a trade adjustment. This would be an assistance program that is aimed at communities being hit by large changes having to do with Federal environmental policy of the scale and cost that these communities and the States they reside in are unable to deal with. Here are a few principles for designing that initiative.

First, I think that whatever is needed in these areas, we don't need to create any new Federal bureaucracies for dealing with these issues. We need to work through existing State, local, and Federal institutions. Some of the legislation that is being kicked

around by the Defense Subcommittees like H.R. 3999 on defense adjustment issues I think have some interesting ideas.

Communities also need additional access to title IX, EDA funds for site development, for saving some companies. That is an area that could be dealt with. A lot of people have talked about that people cannot eat training. They need income support to get the training for the jobs that will provide decent pay. At this point that is not available. So, income support and additional training is very important.

Also, as it has been talked about throughout the morning, the JTPA system has the tendency to move toward the cheapest and simplest approaches for job training replacement assistance. Workers have a variety of needs—it may be remedial education, retraining, job placement assistance, peer assistance, et cetera. All these should be an option, not just the least expensive approach.

Now JTPA does not work in that fashion. Now there needs to be some toughening up of the regulations or the provision of additional financial incentives to make available the range and depth of services needed to help the harder to employ folks. There are also a set of possibilities for economic development and coinvestment kinds of assistance. The State of Oregon has a range of revolving State loan funds but at this point like the Technology and Resource Corporation is almost all out of money.

Leadership development and local planning assistance is very helpful as well. There is a major effort going on to work with communities but there needs to be more. People need follow-up assistance, additional moneys to work out plans to developing anything from a small business incubator to a training program and these resources are not available. So other matching grant assistance to help build on to the what the State is doing in these areas could be very helpful as well.

I will close my remarks there and we will take your questions.

Chairman WYDEN. Let me ask a couple of questions if I might. Are you both of the view that what has been done in Europe is a better model for the kinds of problems faced in the Pacific Northwest?

Mr. SOMMERS. I am of that opinion. I don't think the Federal programs come close to addressing the problems. The European models are closer to bringing people up to a reasonable level of basic academic skills and getting them into vocational or job training programs which are linked to actual job opportunities out in the market and which will produce decent wages at the end.

Mr. SCHWEKE. I would say Europe is ahead in many of these areas particularly job training although the United States is beginning to develop new approaches. Like the State of Oregon is trying to work with the woods industry and trying to work with other industries in terms of sectoral strategies but I think we are behind. There could be a role of the Federal Government to categorize these efforts and further invest in these efforts.

Oregon is not alone in trying to provide management assistance to help out companies to move in new directions and develop new products and processes. Additional assistance is very important, I think.

Chairman WYDEN. The other concept which runs through what you are saying is that we are basically not moving early enough, that we are playing catch-up ball. We are now going to be wrestling with the Department of Labor to get them to take seriously the need for funds and some of the issues that we have been debating the last 3 hours.

I gather that if you were to identify one concern that really has to be addressed in a good program it is that these programs have to get there earlier, they have to be more comprehensive and that without that kind of focus there is going to be considerable damage to local communities and to families and the way of life before the other traditional approaches begin to kick in.

Mr. SOMMERS. That is certainly true. A number of Europeans suggested to me this summer that every day the worker is on the job, he requalifies for the whole process of working effectively in that environment and learning how to find a new job. Every day the worker is off the job those skills deteriorate. People forget how to be effective workers very quickly. That makes the problem that much worse 6 months later when you have to deal with that on top of all the other needs.

Mr. SCHWEKE. Early intervention has been shown over and over to be the key to increased program participation and retention and success in terms of getting jobs. The worse thing you can do is have a situation where you have lost the labor force, you have to hunt down folks to encourage them to come back to the program. They are already depressed, distressed, and hard to locate. So that is the worse approach.

Chairman WYDEN. Gentlemen, only in the interest of time we break at this point. You have made important contributions. I am very familiar with the work and writing that your organizations have been involved in. I am very sympathetic to what you are talking about.

I think you were way out in front of us in terms of things like lump sum unemployment benefits, intervention principles. I think the notion on the Department of Labor has essentially advanced that what will work for dealing with unemployment in Detroit when auto workers are laid off is sort of what you put in the cookie cutter and make it work in the Southwest or is patently absurd.

We think you have said it very well. We appreciate it and 3 hours and 15 minutes is a long time to wait to offer your views. Unless you want to add anything further, we will excuse you at this time. The subcommittee is adjourned.

[Whereupon, at 1:20 p.m., the subcommittee adjourned subject to the call of the Chair.]

APPENDIX

News From
Congressman
RON WYDEN

THIRD DISTRICT
OREGON

2452 Rayburn House Office Building • Washington • DC • 20515 • (202) 225-4811

OPENING STATEMENT

FEDERAL AND STATE JOB RETENTION AND WORKER RETRAINING
EFFORTS IN ECONOMICALLY DISTRESSED TIMBER COMMUNITIES

BEFORE THE
SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES
AND ENERGY

REP. RON WYDEN
JULY 30, 1990

Good morning. Today, the subcommittee on regulation will review federal and state programs to provide assistance to timber workers who lose their jobs due to cutbacks in federal timber sales mandated by the Endangered Species Act.

The issue is of great importance to dozens of small communities in Oregon, Washington and Northern California now facing economic meltdown. The chair believes, however, this issue has significant implications for our entire nation. The Pacific Northwest faces the first region-wide, large-scale loss of jobs due to enforcement of the Endangered Species Act -- but with growing support for environmental protection, similar conflicts will surface in every region of the country as we decide between the protection of species and the continuation of workers'jobs.

The federal government's response -- or lack of response-- will set a precedent for endangered species conflicts to come.

Obviously, environmental reform does not come free. Federal environmental policies can be a wrecking ball for families and communities that lack the resources to cope with the changes forced by those policies. In a small timber town dependent on one or two mills, workers can't just take off their boots and go get decent paying jobs in nearby high-tech plants, or in the service industry. Those jobs simply don't exist.

Members of Congress -- and presidents -- who support environmental regulation have a special obligation to assist displaced workers. President Bush seems low on sympathy for the unemployed loggers, and short on good works. He has already explicitly ruled out new programs or new funds to aid timber-dependent towns.

So for now, the ball is in the congressional court and on a bi-partisan basis, I believe that my Northwest colleagues want to get moving.

There is much to do -- such as blocking the President's proposal to cut federal support for job training and dislocation assistance. Incidentally, with growing unemployment in timber towns, the President has actually proposed to reduce training and dislocation funds from $464 million this year, to $400 million in 1991. A new report due for the subcommittee indicates that unemployment assistance to laid off Oregon workers alone will cost between $125 million and $150 million -- a huge sum for an already starved fund.

Every federal agency with a mandate to promote economic development must be mobilized in the fight to help timber towns fund new and solid economic funding. Last week, the U.S. Small Business Administration (S.B.A.) agreed to the subcommittee's request that an additional $2 million in federal loan guarantees be made available to Oregon timber communities between now and October 1. Friday, the House Small Business Committee agreed to another subcommittee request, agreeing to make it easier for businesses in timber towns to qualify for loans through certified development companies, if they can show that they are economically threatened by enforcement of federally mandated environmental protections. The chair wants to commend the S.B.A. for taking the initiative, and within its limited resources, genuinely straining to try and assist laid off timber workers.

In the absence of an aggressive program from the Administration, the chair would like to suggest a few more ideas for discussion, today:

-- First, we must increase federal support for jobs training and dislocation assistance. There has been a near-unanimous call from the states for more federal dollars in this area. In the face of these demands-- and the pending unemployment crisis in the Pacific Northwest -- the Administration has proposed to reduce Joint Training Act Title III funds from $464 million this year, to just $400 million in 1991.

The chair believes this is unjustified by any measure. It also suggests that a specific targeted assistance program with extended unemployment and retraining benefits ought to be planned for timber country. I point out that this is almost an implicit conclusion reached in a new Congressional Research Service report we are distributing, today. The concept also will be supported in testimony by other witnesses appearing today.

-- Second, the Administration must stand firm and forthright in opposing raw log exports and opening up foreign markets like Japan to more finished wood products from the United States. We need not ship more jobs overseas with unprocessed logs while we lose jobs, here, to the Endangered Species Act.

-- Third, we must use our tax code to encourage more aggressive timber management on private lands. Many of us from timber states in the Northwest and the Southeast have been active proponents of a tax differential for long-term investments in tree growing. We need that now, more than ever. We also must have changes in passive loss rules to allow reasonable business deductions for small woodlot owners.

-- Fourth, I soon will be introducing legislation which will prod the U.S. Forest Service and the Bureau of Land Management into more aggressive management of federal second-growth forests. A Congressional Research Service report by timber analyst Ross Gorte, requested by the chair last year, estimated that we are foregoing hundreds of millions of additional board feet per year in timber harvest because we aren't managing these lands strongly enough for ultimate production--something we can no longer afford in the post-spotted owl era.

-- Fifth, we must employ every federal agency with an economic development function in this fight to save Northwest jobs. Last week, the Committee on Small Business at my request amended language in an important small business loan program -- Certified Development Companies. It provides for new flexibility in qualification rules for companies adversely impacted by environmental laws. Single loans of up to $1 million will be made available -- perhaps enough money in individual cases to allow small mills to retool for smaller, non-Old Growth logs.

-- Sixth, the federal government must lend its support toward creating a stronger secondary wood products industry. The chair commends the U.S. Forest Service, for example, in providing seed money to start WoodPIC--the Wood Products Information Center now located in Portland, Oregon. This project is already helping people currently in the wood processing business as well as new entrepreneurs discover sunrise markets and new manufacturing procedures in the high-value-added end of the business. We need more of these efforts.

Today, we will find out whether the U.S. Department of Labor is going to be an advocate for these workers. The subcommittee invited Secretary Dole, who initially said through staff that she could not appear today. When the chair offered to reschedule today's hearing, the Secretary's staff said that she could not appear in September, October or November. We hope the Secretary will change her mind and soon personally take up the cause of our displaced timber workers.

Only a stronger working partnership between business, labor and government can provide relief for the timber-dependent communities that are now on the ropes. Today, we will examine how to strengthen that partnership, and we will begin with statements from members of the Northwest delegation.

Now we have a number of witnesses to hear from as well as statements from several members of the House and the Senate. We will begin with statements from my colleagues.

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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

TESTIMONY OF OREGON SENATOR BOB PACKWOOD
before the
House Committee on Small Business
Subcommittee on Regulation, Business
Opportunities and Energy

Thank you, Mr. Chairman. I am pleased to be here with you today to address the critical timber supply and jobs issue for Oregon and the Northwest.

I would like to begin by putting the challenge we face in its appropriate context. Make no mistake, Oregon's economy is directly dependent on the health of the timber industry. Any effort to train and redirect workers into other occupations will not assure the health and survival of Oregon's economy. To achieve that end, we must continue every effort to insure adequate timber supply for Northwest mills, right to the end of the Endangered Species process. We must also put a stop to the unconscionable practice of exporting logs so desperately needed in Oregon's lumber mills.

I have responded to the State of Oregon's call for support in working with federal agencies because relief must be provided for those who have already lost their jobs due to timber related lay-offs. Federal resources for this purpose are currently available for use by Oregon communities. The State of Oregon has received $700,000 from the Secretary of Labor under the Job Training Partnership Act Title III Discretionary funding. This grant is designed to provide services for 200 Lane County dislocated woodworkers in need today. Additional resources are needed in Lane County for the 240 workers at Bohemia's Culp Creek mill, which has announced closure. This response is just one example of the existing program dealing with the current circumstances.

Clearly, training is significant only where jobs are available. Available alternate jobs are not common in Oregon's rural communities today. According to Oregon's official assessment, 35% of Oregon's manufacturing jobs are in the timber industry. Many rural communities are wholly dependent on timber. So the challenge to the state is to keep existing jobs in place.

I would like to strongly recommend emphasizing new development of jobs closely related to timber industry traditional activities. Reforestation, thinning and management, road building and soil conservation will grow in the near future to much larger importance. Resources should be directed to new projects to seize on these opportunities.

I have called for a convening of the Endangered Species Committee, the so-called God Committee, to review the economic impacts of protection for the spotted owl. We must take the full opportunity under the law to assess the human and community consequences of plans to save the spotted owl. Anything less will lead to a thoroughly unbalanced decision.

This brings me to my next point. I want to commend the State of Oregon for determined efforts to respond to the variety of impacts Oregon communities are experiencing. I am especially impressed with the hard work of Bob Buchanan, Director of Oregon's Economic Development Department, who is here to testify today. While in Washington this week Mr. Buchanan will also advocate for Oregon in meetings with appropriate federal officials.

I have arranged meetings for Mr. Buchanan with federal officials in several agencies designated to assist Oregon with problems that exist as a result of deliberations over the spotted owl. On Wednesday, he will meet with Mr. James Van Erden, Administrator of Work-Based Training for the U.S. Department of Labor to examine Oregon's existing needs. We are at the beginning of the Department of Labor's funding cycle, dollars are available, and I trust Mr. Buchanan will strike while the iron is hot. I have also arranged meetings with the Bureau of Land Management and the Family Support Administration at Mr. Buchanan's request.

I have already pledged my full support to their effort. The State is working diligently to respond to present needs, and we must lend them every assistance in the use of federal resources already available through existing channels.

TESTIMONY BY
CONGRESSMAN AL SWIFT
BEFORE THE
SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES & ENERGY
OF THE
HOUSE COMMITTEE ON SMALL BUSINESS
JULY 30, 1990

I would like to thank the subcommittee for the opportunity to testify this morning. I believe that up to now we have spent considerable time and effort on spotted owl issues. Therefore, it is particularly appropriate that we spend time this morning on the human side of this issue. I want to take this opportunity to personally express my commitment to insuring the economic viability of our rural communities. Let me start by offering a brief background on the kind of people that need our support. I have taken this background from a paper prepared by Dr. Robert Lee from the University of Washington.

"Timber workers and families have chosen a way of life based on hard work, risk and rural isolation. They fiercely believe in the "American Dream" of family independence and economic stability in return for honest work. The families have often been loggers or mill workers for generations and all have a strong tie to their work, their family, and the forest itself.

"Loggers are members of an 'occupational' rather than a residential community. They work and socialize together. They gain their job security within the occupation through their personal reputation within the workgroup which they maintain from job to job. Their loyalty is more to active logging than to a company, outfit or locality.

"Millworkers, both sawmill and shake and shingle workers, are attached to particular settlements. They have had to cope with the economic instability of the cyclical wood products industry. They have learned that there are good times and bad times. The good times return, but in the mean time, it is possible to ride out the tough times through Unemployment Compensation and survival efforts.

"The Entrepreneurs who own and run the small businesses that service the logging and sawmill firms and their employees are often the community leaders. These individuals have invested themselves, their lifes' work and savings into building a business. They embody the same ethic and attitude as their wood products neighbors.

"All groups share an ethic of self-reliance, respect for independence, hard work, risk-taking and inventiveness. They are proud, independent, resistant to change, strong and skilled with their hands, survivors, tough, willing to work despite their disabilities, and are part of the land.

"Timber families have known hard times before. Most recently, in the early 1980's, the housing recession led to a depression in timber communities. Families came together, used up their resources, reevaluated their situations and survived. Workers even negotiated 'giveaways' in order to help the companies remain competitive. There was a willingness to do was necessary to pull through the temporary downturn.

"The communities are facing social and cultural disruption caused from:

Job Losses

Workers often experience job loss as a life-threatening event which may be followed by personal trauma and permanent psychological harm. Workers who have been able to rely on their reputation to regain work no longer will be able to do this. Entrepreneurs will experience a tremendous loss of self when they are forced to close.

Loss of trust in assured wood supply

Since the people in timber-dependent communities trusted the government and its commitments, the residents experience a sense of abandonment, violation and helplessness.

Conflict of entrepreneurial and collective values

The residents see the government strategies as an attack on the 'American way of life'. They see a conflict between individualism and government control and this further reduces their trust of government or any outsiders.

Dehumanization through degrading the woodworking occupations

Popular stereotypes are being distributed. These blame the workers for the problems and create negative associations with the wood products occupations. This stereotyping can lead to learned-helplessness, depression, cynicism and disempowerment.

Denial of the need to change

The families still living in the communities are the survivors. They are the ones that used up their resources in the last downturn, but they are also the ones who don't believe that this will be more permanent than the previous scares. They have heard the cry of 'wolf' before and have lives to see the industry come back again.

"Social disruption within a community takes many forms. There is fear of poverty and the need to rely on government. Reported incidents of domestic violence increase, arrests increase, substance use and abuse increases, deaths and suicides increase. All these occur while the community tax base is reduced along with the ability to respond to the crisis.

"The communities and the individuals will require creative approaches to respond to the trauma, anger and high levels of stress they face as they are asked to adapt to the changing situation."

Federal Government must provide support and assistance to workers and communities who are dislocated as a result of changes in Federal regulations. I believe that we need legislation directed at providing loan guarantees, educational opportunities, extended employment benefits, counseling, and health support in the timber dependent communities. It is important that legislation reflect the spirit of the loggers by providing support and opportunities not government handouts.

The Government has a responsibility to provide economic stability in those communities hardest hit by changes in Federal regulations. I feel we must make every effort to look for innovative solutions to providing jobs. Unlike Seattle and other communities surrounding the Puget Sound the immediate problem in rural timber communities is not the creation of jobs but simply holding on to existing jobs. I look forward to working with you in seeking those solution that will benefit these hardworking people.

I commend the Chair for recognizing the human side of the equation. In the long run it will be through community stability and economic diversity that we will insure accommodation with the our environment.

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STATEMENT OF CONGRESSMAN JIM McDERMOTT
SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES, AND ENERGY
COMMITTEE ON SMALL BUSINESS
July 30, 1990

I want to commend the Chairman for holding this hearing on federal and state efforts to keep jobs in our Northwest timber communities, and replace those that will be lost because of the need to protect our remaining old growth forests. This is a critical responsibility for the federal and state governments, as well as for the private sector. With the listing of the northern spotted owl as a threatened species, and the expiration of the special legal protection Congress provided the federal timber sale program last year, thousands of working families are facing the consequences of a century of overcutting on public and private lands in the Northwest.

Those families are not responsible for the sorry history of public and private timberland management in our region, or for the growing national awareness of the threat to old growth ecosystems. Whatever our views in the current controversy over old growth forests, we must all agree that helping timber workers and their families deserves the highest priority.

The Administration has projected the economic consequences of spotted owl and old growth protection in its report, "Economic Effects of Implementing a Conservation Strategy for the Northern Spotted Owl," issued May 1. That report estimates a loss of some 28,000 jobs in California, Oregon, and Washington over the next decade, attributable to conservation measures including owl protection. Although our region is creating far more jobs than that every year, most of these job losses will occur in isolated rural communities. That means we must take every possible step to preserve jobs, create realistic alternative jobs, help communities diversify their employment bases, and deal with the social effects of long-term unemployment.

Some of those steps are being taken, including restrictions on log exports from state lands and a new community diversification program in the rural development bill. A lot more is needed. Some of the most valuable proposals appear in another Administration report dated May 1, which was not released until Congressman DeFazio uncovered it two weeks ago. They include:

-- Using Job Training Partnership Act funds to retrain dislocated workers.

-- Funding public works projects through the Economic Development Administration.

-- Targeting federal contracting to affected areas.

-- Directing vocational education funds to the affected areas.

-- Providing economic development loans and grants through the Small Business Administration, the Economic Development Administration, the Farmers Home Administration, the Rural Electrification Administration, and the Department of Housing and Urban Development.

-- Building and maintaining Forest Service and Bureau of Land Management facilities.

-- Improving trails, campgrounds, roadside rest areas, streamside access, and other recreational facilities on public lands.

-- Fisheries improvements like spawning habitat enhancement and removing barriers to migration.

-- Increased owl and other wildlife monitoring and inventorying, road reclamation, and timber presale work to fill the "pipeline" of future sales.

Most of those initiatives could begin without legislation. Some would require additional funding. I am disappointed that the Administration has apparently never sought to implement or fund any of them. Even the report recommending them was left on the shelf for nearly three months. They would not replace all the jobs that may be lost, but they would provide an important measure of relief.

The report, prepared by a Forest Service-BLM working group, was completed without the full participation of the Departments of Commerce, Labor, Education, Housing and Urban Development, and Health and Human Services. The active involvement of those departments would undoubtedly produce more strategies and ideas. But the task force the Administration formed a month ago does not include representatives of any of those departments, whose main mission is helping people in economic distress. Instead, the task force is charged only with finding ways to boost Forest Service timber sales in the next year.

That plays into the hands of those who seek to portray the ancient forest controversy as a conflict between "owls vs. jobs," to return the public forests to "business as usual," to hold out false hope to the threatened families and communities of the Northwest. Those families and communities have a right to expect more of the Administration, and of this Congress.

They have a right to expect initiatives like Congressman Wyden's proposals to improve second-growth forest productivity, creating jobs and assuring more long-term stability in the wood products industry. They have a right to expect the relief measures in Congressman Vento's Ancient Forest Act, including a larger local share of timber sale proceeds. They have a right to expect the kind of extended unemployment benefits program Congressman Downey has been trying to get through the Ways and Means Committee.

Today, I hope this hearing will bring out more ideas and help us understand better what needs to be done. Most of us, in Congress and in the groups involved in the controversy, have been staking out positions in this conflict. The time for that is ending. It is time for the Northwest to face the reality that federal timber harvest levels will drop dramatically. It is time to start working seriously on ways to replace the jobs we cannot preserve, to help the families and communities that will pay the greatest price for the environmental legacy that we and future generations will inherit.

STATEMENT OF JAMES D. VAN ERDEN
ADMINISTRATOR
OFFICE OF WORK-BASED LEARNING
U.S. DEPARTMENT OF LABOR
BEFORE THE
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON REGULATION,
BUSINESS OPPORTUNITIES AND ENERGY

July 30, 1990

Mr. Chairman and Members of the Subcommittee:

I am James Van Erden, Administrator of the Office of Work-based Learning. My office has responsibility for two programs which affect dislocated workers, the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA--Title III of JTPA), and the Trade Adjustment Assistance (TAA) program. Secretary Dole regrets that she is unable to attend this hearing but wanted me to assure you of her strong commitment to assist workers who may be impacted by the Northern Spotted Owl habitat designations.

We share your concerns on this very important issue, and believe that the solutions to problems caused by possible worker dislocations will require a coordinated, cooperative approach involving local, State, Federal and private sector resources.

Over the past few years, we have learned much about worker dislocations, and can share what we know with you. Although the source of dislocations varies, the needs of the impacted workers, their families and their communities are very similar.

We believe that the current resources available at the Department of Labor under the JTPA, and specifically the EDWAA program, are adequate to respond to the retraining and related needs of the impacted workers. In addition, unemployment insurance will be immediately available to most workers and if unemployment reaches a

certain level, extended unemployment benefits would trigger on, covering workers for a longer period of time.

EDWAA is a flexible, comprehensive program for dislocated workers whose employment loss means they are unlikely to return to their previous industries or occupations. EDWAA has a local service-delivery system; the Governor of each State is responsible for overall program administration, management, and targeting formula-disbursed funds to areas of major worker dislocations. EDWAA provides for a number of major programs and activities. These include on-site rapid response to plant closings and mass layoffs and basic adjustment services, such as outreach and intake, development of individual readjustment plans, labor market information, job development, job search and placement, supportive services, relocation assistance and pre-dislocation readjustment programs. In addition, EDWAA offers retraining services, including classroom, occupational skills, and/or on-the-job training, basic and remedial education, and entrepreneurial training. EDWAA also offers needs-related payments under certain circumstances to workers who have exhausted their unemployment insurance and who are participating in an approved training or education program. Finally, EDWAA permits special grants to States experiencing major worker displacement through the Secretary's discretionary set-aside funds.

I would now like to respond to some specific questions that you asked me to address. One advantage we have in responding to the situation in the Northwest is that we have time to plan an approach and make necessary adjustments. The effects of the Spotted Owl decision will not happen overnight, as in a plant closing, but will be spread over a period of years. However, we must make effective use of the time available. Since April, Department staff have been in continuing discussions with members of Congress and their staff, the Forest Service, the Bureau of Land Management, the Fish and Wildlife Service, and officials from the States of Washington and Oregon on issues involving the timber industry. Three officials from the Employment and Training Administration (ETA) met on site with State officials from Oregon and Washington during the week of June 11, 1990. The purpose of the visit was to listen to and share information with the State, Congressional, and private sector representatives, and to begin the process of developing comprehensive

plans that would respond to the potential dislocations. The Department would be pleased to meet with any other State officials and interested organizations on this issue.

As a result of those meetings, the ETA Regional Office in Seattle has designated a high level official to work with the States as they develop their plans, and to serve as coordinator for the Region's assistance. The States in turn have begun to identify and work with the local communities that would likely be affected by the dislocations, and involve them in the planning process.

Last Thursday, we met in Washington, D.C., with Washington State officials and representatives of several other Federal agencies to help identify the Federal resources that might be brought to bear in responding to the needs of dislocated workers and their communities. Later this week, I will be meeting with Oregon State officials.

In terms of the employment impact in the Northwest, there cannot, at this time, be any hard estimates of the numbers of workers who may be affected, or when those effects may be felt. The impact will be affected by the specific plans that are now being developed by the Federal land management agencies to respond to the June 22 listing of the Spotted Owl as a threatened species. Throughout our discussions, however, the Department has reassured the affected States that while projections and estimates of the total impact on employment vary widely, the Department will assist in developing plans to address the needs of the dislocated workers and their families, and will provide assistance to facilitate the dislocated workers' transition to new jobs.

The most important step for the Federal Government at this time is to meet and share information with the State and local officials who are in the best position to assess the situation in their own communities. Each State is currently developing an overall coordinated strategy to deal with aspects of the potential dislocations. We will assist them in their efforts to prepare this strategy. Federal resources would be important in the delivery of necessary services, but no Federal program can anticipate and respond to every need. Local assessment, local planning, and local decision-making must be the

mechanisms to coordinate and target already available resources and ensure their effective utilization.

Drawing on what we have learned from previous worker dislocations, and based on our experience with training and employment programs in general, the Department believes existing programs are adequate to address the employment effects of the Spotted Owl decision. Further, no specific changes to JTPA or the Unemployment Compensation System are necessary or desirable to address the needs of dislocated timber workers. These existing programs already provide for early response, counseling and relocation assistance, as well as retraining and income support assistance. In sum, no new Federal initiative is necessary.

With respect to retraining programs, we believe that existing programs are effective both in terms of retraining displaced workers and in assisting the workers to relocate and obtain alternative employment opportunities. This is true regardless of the location, including rural communities, as long as the jobs are available. It is therefore critical to our efforts and to the efforts of State and local officials, that we involve the private sector in the entire adjustment activity. We do not believe that uncoordinated, separate approaches can be successful.

We also recognize that determining which jobs are or will become available in the affected communities, or elsewhere, will be a major task. We know that State officials are giving the issue of economic adjustment a great deal of thought and are looking at many options. These options include the development of value-added timber related industries, efforts in the recreation and tourism industry, as well as development of alternative occupations and industries which are completely new to the area.

Much must be done to achieve the goal of effective adjustment and the Department recognizes that it will require hard work and the commitment of many public and private agencies, organizations and individuals. Retraining is part of the solution. It is available and can be used to assist displaced timber workers regardless of their particular education or occupational skill levels. Some of the workers may require only minimal retraining, others will require more

extensive retraining. The program is flexible enough to accommodate both these and other varying retraining needs of the displaced workers.

With respect to past funding, the Department has made considerable amounts of funds available to Oregon and Washington under EDWAA. Each year the States receive a formula allotment to provide retraining and other services to dislocated workers. States may also submit funding requests to the Secretary for discretionary funds if they have a substantiated need.

In terms of additional, national reserve funding: in Program Year 1988, Oregon received over $1.6 million and Washington received almost $1.3 million of the $71.8 million available nationally. In Program Year 1989, Oregon received an additional $1.2 million of the total $56.8 million available. Of these amounts, Oregon received $1 million for a Forestry and Wood Products Project in PY 1988, and $700,000 for a timber related project in PY 1989.

Oregon's Program Year 1990 formula allotment (July 1, 1990) is $3,955,470 and Washington's allotment is $7,939,661. While the Department has not received any Program Year 1990 discretionary requests, you can be assured that every request will receive appropriate review and consideration.

CONCLUSION

The States will clearly play the lead role in planning and managing any necessary readjustment effort. However, the Department is prepared to help. We believe that the programs currently administered by the Department in partnership with the States are sufficient to provide effective adjustment assistance to dislocated timber workers. Addressing the complete range of community needs must be a joint effort involving State and local officials, the private sector, organized labor, and other Federal agencies, as well as the Department of Labor. The Department is ready and, in fact, is already playing its role in providing appropriate assistance. We are pleased to provide support and we encourage the involvement of other Federal, State and local sources which may be of additional assistance.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions that you or other members of the Subcommittee may have.

MR. JAMES D. VAN ERDEN

- Over a decade ago, many timber dependent communities in northwest California were adversely affected by the expansion of the Redwood National Park. Community leaders were mollified by promises of more jobs from tourism and government subsidized job training. Federally supported economic development projects were also contemplated. The tourists did not come and the area is still plagued by high unemployment rates. Is there any reason to believe your proposals will avoid such problems in the areas that would be impacted by the spotted owl?

- You speak only of dislocated timber workers. What about persons who would lose their business or job in the service sector? If the spotted owl plan is adopted there will be fewer customers for lawyers, for retail stores, for barber shops and on and on? What plans have you for mitigating the social and economic problems of owners and workers who serve the timber industry?

- You mention that "State officials are giving the issue of economic adjustment a great deal of though and are looking at many options." One option you mention is "the development of value-added timber related industries. . ." In this regard, I would like to read from an article, "Subsidy for competitor will just churn jobs, firm says," that recently appeared in the Chicago Tribune:

> "Subsidizing a firm by deducing its cost of doing business gives the assisted firm an advantage over competing firms."

This matter of unfair competition arose when MetalPro Inc. was granted a $6.6 million industrial revenue bond by the Illinois Development Finance Authority much to the consternation of an existing mill that produces the very same product.

Let's face it, the size of the market for secondary forest products Is not going to be influenced by your proposals. Consequently, is there any reason to believe that State officials will not create unfair competition for a fixed market by subsidizing the construction of value-added wood-manufacturing factories in the Northwest? Have you checked with existing companies in this sector like Pella Rolscreen or Andersen Windows before recommending the use of public dollars to create and subsidize more competition for their products?

- At any point in time, the Nation's discretionary time and income are both fixed? In fact, the Forest Service notes that certain types of recreation is declining in importance. Consequently, are you really sure that subsidizing the development of additional tourism and recreational facilities in place of timber manufacturing result in real job increases in the service sector? In other words, might the person planning to visit an Oregon museum or other existing recreational facility merely choose to take advantage of any new recreational opportunity instead of, rather than in addition to the existing facility?

- Recreation and tourism jobs are low paying and seasonal. Additional recreation and tourism facilities can't really compensate for the highly skilled, high-paying and full-time jobs that would be lost if the spotted owl recovery plan were adopted, can they?

STATEMENT OF BILL COLLINS, MILL WORKER, FLORENCE, OREGON

Good morning, Mr. Chairman. My name is Bill Collins and I am from Florence, Oregon on the Central Oregon Coast. I welcome this opportunity to talk about job losses in the Pacific Northwest timber industry.

We are facing a crisis in Oregon and Washington. Reductions in the federal timber harvest are going to cost many timber workers their jobs. But this is a problem that has been going on for some time, although it's going to get worse.

Timber dependent communities need help. They need new jobs and jobs retraining. They need to see an interested federal government. They need to see programs -- both federal and state -- that give people training for real jobs.

I'm glad that when President Bush visited Oregon earlier this summer he said he was concerned and sympathetic about Oregon timber workers. But I'd be a lot happier if the President put his money where his sympathy is and provide retraining and job retention programs, now, for the thousands of workers who will lose their jobs to enforcement of the Endangered Species Act.

Because no matter what we do, maintaining stability in these timber communities won't be easy. And I speak from experience.

I am 50 years old, which in itself has created some hardship in finding work. I am not eligible for retirement.

I worked in the lumber industry for 24 years, from 1964 to 1988. Most of those years were spent in the log processor as a reliefman. A reliefman's job responsibility was to fill in on all jobs in the log processor and relieve for breaks.

In 1988, my employer, International Paper Company closed the mill and sold it to another company.

At the time of the closure in 1988, my hourly rate was $ 10.70 per hour. This wage rate was in effect after giving concessions to the company in 1985 to assist them in continuing to operate. This wage was still higher than most non-timber industry jobs available in the outlying communities.

Of the 400 employees affected by the mill closure in 1988, only approximately 50 were re-hired by the new

I entered the Lane Community College Dislocated Workers Program in Florence, Oregon. The program consisted mainly of resume writing, interviewing skills and various other job finding skills. I was impressed with the college's sense of purpose, but don't feel that the programs offered filled the needs of all who attended. I do realize that the College's main body is in Eugene, which is 150 mile round trip from Florence. To take advantage of the programs offered in Eugene would have been helpful, but when one is receiving Unemployment benefits, it is self-defeating.

I feel the State and Federal Government should help with the retraining programs or they will suffer the loss of income earning people in the coastal communities because there is no new industry to take the place of lost timber jobs.

Many problems were created within the community because the community was not able to replace lost jobs. People moved away in search of employment because they couldn't survive living in a rural community with no other industry. The city of Florence, Oregon is a community of approximately 6,000 population, primarily consisting of retired persons. There is a small seasonal fishing industry that does not serve as a replacement for timber jobs.

The city of Florence has always been a retirement community with very little industry. The community mostly affected by the mill closure was Reedsport, located 20 mile south of Florence and 2 miles from the mill. Most of the mill employees lived in Reedsport and because of the loss of jobs I know that Reedsport has been trying to find other suitable work without success.

I have read in the newspapers of the different communities attempting to diversify and attract new industry, but I have no knowledge of them being successful especially in the Coastal communities.

Many families broke up, they lost their homes and other property due to bankruptcy. Many sold their belongings in order to hang on in this area. Eventually they left because they could not get work.

I personally know of several of my fellow workers divorcing and have heard many stories of family violence due to the loss of jobs and lack of jobs to go to.

Some of these people who have gained employment in the timber industry in this state and neighboring states

closures.

I feel alot of people have benefited from the Dislocated Workers Program, through counseling, networking for jobs, and some went on to school, taking courses in business. I am concerned though, for they should offer training that is more adapted to millworkers abilities.

For myself, the best part of the Dislocated Workers Program was the support group, because we were all in the same situation, being with people you knew and had worked with half your life.

Several people I know, after not being able to find a family wage job, took jobs in the service industry, which for the most part are low paying jobs such as dishwashing, security guards, stocking shelves and other tourist related jobs. Most of these jobs are only seasonal work.

I know several workers who took their retirement early and took a significant cut in their benefits by doing so.

For myself, I mostly worked part - time jobs, such as remodeling and home repairs for about the first 6 months after the mill closure. I then joined the Laborer's Union, which affords me some work. So far this year, I have been able to work about 4 months.

Currently, I have invested all of my savings into building a house for re-sale. By doing this, I am trying to create a job for myself.

I do not like the idea of relocating and if I must it will be only as the last resort. Our home is paid for and I feel if I relocated, the same thing could happen all over again. Also, my wife and I both have family and friends here that we don't want to leave.

My income now is about half of what it was when the mill shut down. My wife works part time as a hairdresser at a local retirement center, which helps alot.

There are three mills in the Florence area and two in the Reedsport area, two of which pay sub-standard wages. One is a paper mill with very little turnover and is also owned by my former employer. There is very little incentive to obtain employment in these mills.

I have seen the industry change dramatically over the years and the job loss increased steadily. For example; the I.W.A. represented approximately 3,500 wood products employees in the early 1980's, from Coos Bay, Oregon to

Florence, Oregon and through mill closures, environmental restrictions, raw log exports and new home starts, the I.W.A. now only represents less than 500 employees in the same geographical area.

In summary I would encourage my government to appropriate any available monies to assist in retraining dislocated timber products workers. I believe that we are headed back to a time when there was long term unemployment in this industry that will cause more problems than were experienced in the early 1980's recession with high interest rates. Any assistance made available would be greatly appreciated by displaced timber workers and their families.

Sincerely,

Billy G. Collins

Billy G. Collins
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STATEMENT OF THE UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA BEFORE THE HOUSE SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES AND ENERGY CONCERNING WORKER DISLOCATION AND RETRAINING PROGRAMS IF NORTHERN SPOTTED OWL DESIGNATIONS ARE IMPLEMENTED IN THE PACIFIC NORTHWEST
JULY 30,1990
WASHINGTON, D.C.

The United Brotherhood of Carpenters and Joiners of America is a trade union with 600,000 members in the U.S. and Canada. The union is headquartered at 101 Constitution Ave., N.W., Washington, D.C., 20001. Our members are employed in construction, installation of heavy equipment (millwrights), shipbuilding, furniture, cabinet/millwork, logging, lumber, plywood and other wood manufacturing.

We very much appreciate the opportunity to testify before this subcommittee on the important topic of worker adjustment programs - their strengths and weaknesses - as they relate to the economic negatives and the certain employment declines associated with implementation of the Interagency Scientific Committee Report regarding conservation of the Northern Spotted Owl.

Our union represents approximately 20,000 forest industry workers who will be directly impacted if the recommendations of the Interagency Scientific Committee are implemented without regard to the employment and economic consequences.

Our members have already suffered one of the deepest and most prolonged depressions in the forest products industry.

Between 1980 and 1983 employment in logging, lumber and plywood in the Pacific Northwest states fell by 44 percent, from 234,000 to 162,000. Needless to say this caused major trauma for workers in the forest industry. In fact, it is interesting to note that the Pacific Northwest industry has never recovered to employment levels attained during the 1978-79 boom. Employment today in logging and solid wood manufacturing in the six states considered the Pacific Northwest (this excludes the paper industry), stands at 202,000, which is about 16 percent below the peak reached in 1978-79.

There is controversy over the amount of direct employment decline that will result if the ISC Report is put in place. A U.S. Forest Service analysis (Economic Effects of Implementing a Conservation Strategy for the Northern Spotted Owl, May 1,1990) estimates that 28,000 direct jobs would be eliminated. A later report prepared by John H. Bueter et al. estimates that the job loss will be double that figure. We place more weight on the estimates generated by the Beuter et al. study primarily due to the "offset" assumptions used by the USFS review with respect to the volumes of timber that would become available from private lands due to higher stumpage values. While increased harvests from private lands may offset a portion of the timber harvest lost to preserve Spotted Owl habitat, it is our view that the offset will be far too small. Observers in the industry already report some increase in harvests from nonindustrial private forest lands in response to rising timber values. The timber,

however, is mostly smaller second growth timber that is being prematurely cut. Simply put, this kind of timber is just not available in sufficient volumes to sustain mills that rely heavily on old growth timber.

Thus, giving more credence to the Bueter et al. report, we could easily be looking at another precipitant decline in solid wood employment in the region in the range of 25 to 30 percent.

Our union had a great deal of experience with the programs in place during the 1980-83 depression intended to assist forest products workers transition into optional employment. The programs, mostly funded and administered under the Job Training Partnership Act (JTPA), were only marginally effective. Because JTPA allowed such wide variations at the state level concerning implementation it made coordination between impacted states almost impossible. Washington state used a more centralized approach administered by the state Employment Security Department while Oregon set up a decentralized system that relied primarily on dispersed Service Delivery Areas. At least one of the SDA's in Oregon was administered on a for profit basis.

Programs were better targeted at dislocated forest workers in Washington state than in Oregon because state officials could more easily identify the need and then direct resources at the priority areas. This was much more difficult in Oregon where predetermined budgets were allocated to the numerous SDA's. Under that system the resources weren't necessarily flowing to the locations where the greatest numbers of unemployed wood

products workers were concentrated. By definition, the system adopted in Oregon also meant that the state had fewer "discretionary" funds to apply when unanticipated plant closures occurred. We seemed, in Oregon, to be placed in the position of applying for additional funding from the U.S. Department of Labor when unexpected mill closures occurred.

In addition, the programs varied markedly between SDA's in Oregon. Some were high quality and others were poor. The programs in Washington were more standardized and , generally of better quality. The Washington Employment Security Department was very cooperative with the unions that represented dislocated forest products workers. This, in my view, helped shape programs that were more relevant and to deliver programs to a larger target population. For example, one program was run with union co-sponsorship in the union hall. This built trust for the program and resulted in a high level of participation.

There were also inherent flaws in the JTPA program that were outside the influence of state programs. One of the most glaring were the severe limits placed on funds available for new skills training. Funds were not generally available for long-term training that would give an unemployed forest products worker the skills needed to enter a higher paid field. Funds were aimed at short-term training that might supplement already existing skills and transition the individual quickly back into the workforce. While the objective of quick re-employment is praise worthy the

net effect was often short term employment before being dislocated again or being employed at drastically reduced income levels.

Even in those cases where some genuine skill upgrading training was made available individuals, many times, could not enroll and take advantage of the opportunity because there was no income maintenance program to sustain the individual and family through the training period.

Finally, it must be understood that even the best retraining programs cannot be expected to solve all of the problems for dislocated loggers, sawmill and plywood workers. These workers in the rural areas of California, Oregon and Washington are extremely reluctant to explore a new way of life. Many generations are rooted in the small timber dependent communities in these states. Even when dislocated workers, for example, are given the opportunity to move to a different location for employment experience has shown that only a very few will make the move.

Alternate employment is especially difficult for loggers accustomed to working out of doors in conditions that most of us would consider to be extremely adverse. In retraining programs that involved loggers it is almost impossible to expect a logger to move to a manufacturing job. I know of one program that retrained loggers to do work in a plywood mill. Those who tried to make the transition, and there were only a few, soon left the mill because it was completely incompatible with their expectations of work.

We have had some success, however, in moving dislocated forest industry workers into construction jobs. Here again is an illustration of how union involvement in these programs can provide access to opportunities that would not otherwise be available. Working with established apprenticeship programs wood products workers have been placed in several trades including carpentry, pipefitting, millwright and even shipwrights.

It is regretful that, in this country, government policy can precipitate wholesale unemployment in a key industry in one region of the country and yet has no comprehensive program in place for restructuring and transition. It is completely unacceptable to ask forest industry workers and the social welfare system to pay the heavy price of such a major and rapid shift in U.S. policy as it relates to public timber.

If an adjustment program is to have any chance of meeting the immense need related to timber supply declines of the magnitude outlined in the ISC Report it cannot be crafted by simply tinkering with existing programs. The Congress must think in terms of bold new initiatives that do the following:

1. Maintain income during retraining programs.
2. Fund long-term retraining for individuals desiring this kind of skill upgrading.
3. Require the states of California, Oregon and Washington to plan and carry out a fully coordinated program with industry and union representatives serving as full

voting partners in program development and implementation.

4. Allow sufficient flexibility in the funding so that program planners can make expenditures that meet the bona fide needs of participants.

5. Legislate a forest investment public works program on a scale comparable to the public works programs of the 1930's.

6. Authorize federal funds to be allocated towards rebuilding and repairing the infrastructure in the states impacted by the Northern Spotted Owl decision.

In our view, however, it is much too early to turn our attention toward measures to cope with the catastrophe of massive unemployment in the Pacific Northwest forest products industry.

In the opinion of the United Brotherhood of Carpenters the Congress should be focusing it's primary attention on preventing the economic disaster. We call for balance in the debate concerning the use of old growth forests on public lands. There are bills in the Congress that attempt to achieve an appropriate balance between preservation of Spotted Owl habitat and maintaining a viable forest products industry. For example, we feel the bill introduced by Mr. DeFazio entitled Alternative Forest Management Plans with Respect to the Northern Spotted Owl has considerable merit. In short, this measure mandates the Secretaries of Agriculture and Interior to develop an alternate plan for spotted owl preservation while also achieving greater timber

sale levels in a manner that minimizes the disruption of employment in public timber dependent communities.

This kind of approach is constructive. It will minimize the severe economic and employment disruptions that will follow full implementation of the ISC Report as it stands today.

Likewise, we call on the Congress to set aside and dismiss bills that ignore the necessary balance. Mr. Vento's bill, entitled the Ancient Forest Act of 1990, falls in this category. It would set aside 6.3 million acres of old growth timber in the Douglas Fir Region in an ancient forest reserve system. This is an extraordinarily large area when considering that most forest scientists estimate the old growth acreage to be closer to 3 million with about one million acres of old growth (using the 250 year old definition) already protected in parks and wilderness areas. (See "Characteristics of Old Growth Douglas Fir Forests," Franklin and Spies, Proceedings of 1988 Society of American Foresters National Convention.)

The Vento bill prohibits timber harvesting in this vast area. The bill suggests that old growth timber outside the ancient forest reserve system can be managed in a way to offset some of the declines resulting from the set aside. Given the acreage in the set aside area, this is a false hope.

The bill also directs the Secretaries of Agriculture and Interior to offer for sale 3 billion board feet per year for the years 1991 through 1993. These volumes spell disaster for

workers in the industry. This represents a 40 percent decline in harvest volumes compared to 1988.

The job creation and worker adjustment features of the Vento bill are little more than empty gestures. They come no where close to meeting the massive need if this measure were to become law.

The final question involves the will of the Congress to commit the level of funding to worker adjustment and community adjustment programs that would be necessary if either the ISC Report or the Vento bill is put in place. Given the budget crisis and the reluctance of the Congress to fund worker adjustment programs for coal miners and other workers adversely impacted by the Clean Air Amendments, it seems highly unlikely that adequate funding would be dedicated to dislocated forest industry workers. This stands as one more argument to put all of our energy into preventing and mitigating the pending disaster.

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TESTIMONY OF JOHN H. BEUTER

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Hearings In The U.S. House Of Representatives

before the

Subcommittee on Regulation, Business Opportunities, and Energy

Committee on Small Business

Washington, D.C.

July 30, 1990

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BACKGROUND

I am John H. Beuter, consulting forester and principal with Mason, Bruce & Girard, Inc. located in Portland, Oregon. As one of the oldest forestry consulting firms in the nation, Mason, Bruce & Girard has worked since 1921 with clients across the spectrum of forest resource management and conservation, and has played an important role in forest policy, and the creation and implementation of forestry-related legislation.

Prior to joining Mason, Bruce & Girard, I was professor of forest management at Oregon State University for 18 years, serving in various capacities as teacher, researcher, and administrator. I have appended a biographical sketch to this testimony.

PURPOSE AND OVERVIEW OF MY TESTIMONY

I was asked by committee staff to summarize the results of a study of the economic and social consequences of implementing the interagency scientific committee (ISC) conservation strategy for the northern spotted owl (Thomas et al 1990). The study, which I planned and coordinated, included collaboration with other foresters, economists, and social scientists, each of whom has written a separate report documenting their research methods and findings (Gillesa 1990, Lee

1990, Olson 1990, Polzin 1990, Rasmussen 1990). I wrote an overview report (Beuter 1990) incorporating the work of the others, and my own interpretation.[1]

Our study covered the three-state region of Washington, Oregon and northern California addressed by the spotted owl conservation strategy (Fig. 1). For convenience, we used the term "three-state owl region" to define the entire region, and refer to respective state owl regions, e.g., the "Oregon owl region," to define the affected region within each state. Each state is further divided into economic areas (Fig. 1) corresponding to the forest survey regions used by USDA Forest Service in their forest resources publication series (e.g. Gedney 1982).

A separate economic impact analysis was done for each economic area, each state owl region, and for the three-state owl region. The metropolitan areas of Seattle-Tacoma, Portland, and Sacramento were excluded from the economic areas in which they lie to avoid having the urban influence mask the impacts on surrounding rural areas (see Fig. 1). The metropolitan area influence is included in the respective analyses for each state and the three-state owl region, so it is possible to determine total economic impact, while retaining the capability of separating the large metropolitan communities from the rural areas.

An analysis of the social and cultural implications covered the three-state region in general (Lee 1990). Because Professor Lee is scheduled to appear at these hearings, I will not cover his findings in my testimony.

Finally, we drew on the work of Professor Paul Polzin of the University of Montana in considering factors that might influence the location of secondary wood products manufacturing (Polzin 1990). I will discuss this further, and provide a synopsis of his findings.

BASES FOR COMPARISON FOR HARVEST AND ECONOMIC IMPACTS

In our study, harvest and economic impacts are measured against two base periods: the average harvest for the period 1983-1987, and the harvest that would likely have occurred during the decade 1991-2000 without the ISC conservation

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[1]Copies of the reports referred to are available from the American Forest Resource Alliance (AFRA), 1250 Connecticut Ave., N.W., Washington, DC 20036, ATTN: Mark Rey. Telephone: (202) 463-2750.

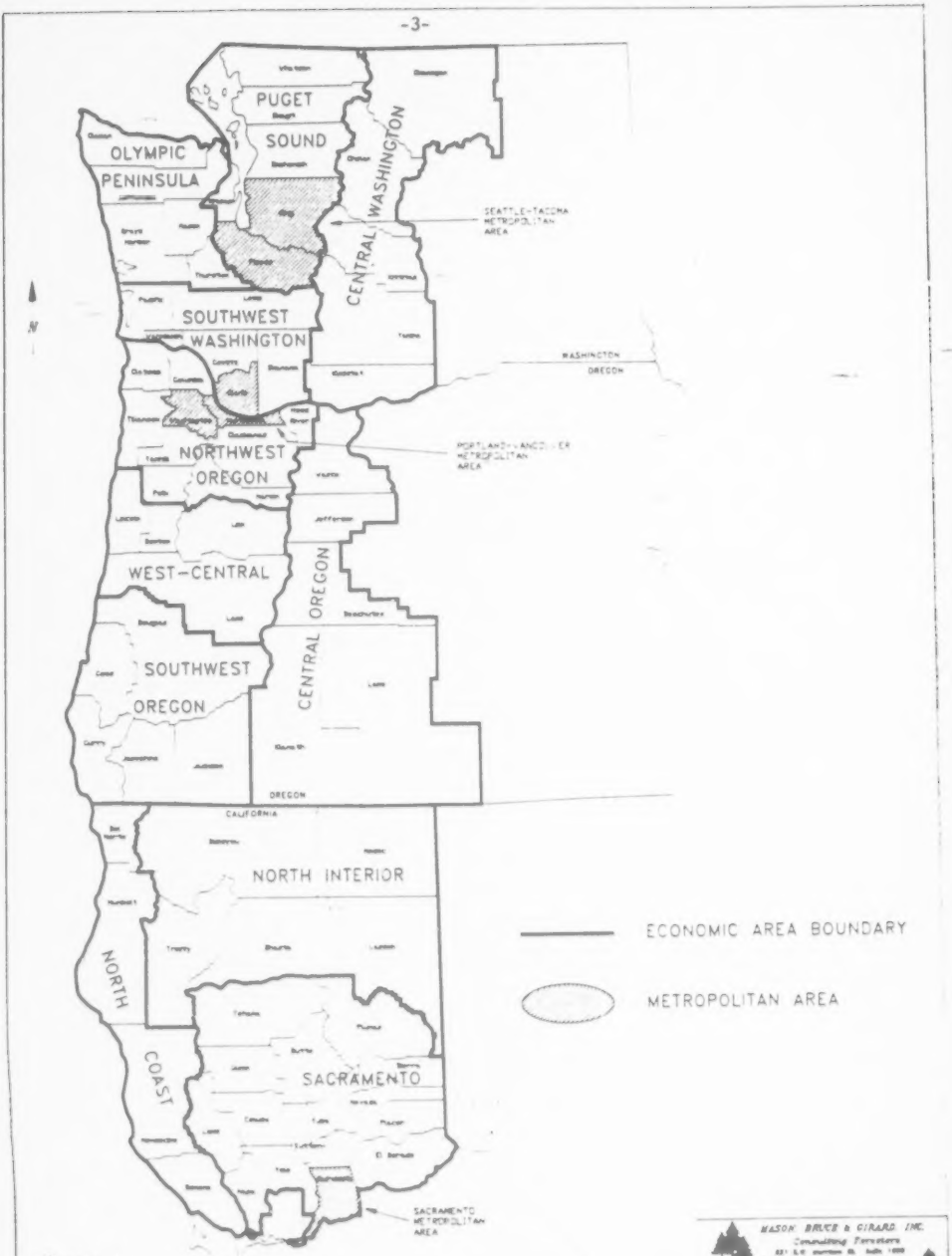

Figure 1.
Spotted Owl Region of Washington, Oregon and California

strategy. The 1983-1987 base represents a reasonably stable period of the recent past--what people are used to. The decade 1991-2000 without the ISC strategy is what likely would have happened given recent planning on public lands, and trends in timber availability, policies and actions on private lands.

The study set out to answer the following questions:

1. What would likely have happened to timber harvest and local economies during the decade 1991-2000 without the ISC strategy, and how does that compare to the average situation during 1983-1987?

2. What would likely happen to timber harvest and local economies during the decade 1991-2000 if the ISC strategy were implemented today on public lands only, and how does that compare with the 1983-1987 average, and what likely would have happened anyhow during this decade?

3. What would likely happen to timber harvest and local economies during the decade 1991-2000 if the ISC strategy were implemented today on both public and private lands, and how does that compare with the 1983-1987 average, and what likely would have happened anyhow during this decade?

TIMBER HARVEST IMPACTS

The timber harvest impacts by region and owner class are summarized in Table 1, and by region and economic area in Table 2. Overall, without the ISC strategy, the three-state owl region would likely experience harvest reductions of 14 percent across all ownerships during 1991-2000, including reductions of 23 percent on Federal lands, and eight percent on private lands (Table 1).

If the ISC strategy were implemented today on public lands only, total harvest for the three-state region during 1991-2000 would be reduced by an additional 13 percent compared to what likely would have occurred during 1991-2000, a total reduction of 25 percent relative to the 1983-1987 average.

If the ISC strategy were implemented today on both public and private lands, total harvest for the three-state region during 1991-2000 would be reduced by an additional 40 percent compared to what likely would have occurred during 1991-2000, a total reduction of 49 percent relative to the 1983-1987 average.

EMPLOYMENT AND INCOME IMPACTS

Table 3 shows a profile of employment and income in 1985 across economic areas and regions, including a breakdown of the primary and secondary wood products

sectors in comparison to all industry totals. Employment and income for 1985 was calibrated to the average harvest for 1983-1987 to develop the basic relationships between timber harvest and the economic variables for this study.

Table 4 shows the distribution of timber dependency by economic area and region. The higher the dependency index for the primary wood processing sectors, the more the economy of an area or region depends upon timber harvesting activity. It is clear that the economy of southwest Washington (55% dependence on timber) is much more vulnerable to harvest reductions than is the economy of western Washington as a whole (13% dependency) (Table 4). It is important that these relationships are understood to avoid having the more diversified economies of the urban areas and larger economic regions mask the severe impacts likely to be felt in timber-dependent economic areas.

Employment and income impacts by region and economic area are summarized in Tables 5 to 7. Table 5 shows that the three-state region would likely have faced a reduction of 19,497 primary timber industry jobs, and a total of 44,436 jobs throughout the economy, during 1991-2000, even without the ISC strategy. This is because of harvest reductions already incorporated into forest plans for the Federal lands, and likely reductions on private lands because of a lack of merchantable timber in some areas. It is estimated that about 4,350 of the jobs would have been lost even without harvest reductions because of technological change to improve wood processing efficiency.

Table 6 shows additional employment reductions associated with implementation of the ISC strategy. If implementation applies only to public lands, it is likely to cost an additional 40,321 jobs during 1991-2000 throughout the three-state economy, a total loss of 84,757 jobs compared to 1985.

If implementation applies to both public and private lands, it is likely to cost an additional 102,757 jobs during 1991-2000 throughout the three-state economy, a total loss of 147,193 jobs compared to 1985.

Table 7 shows the impacts on income, using the same format as Table 6. Depending on the extent of implementation on public and private lands, the ISC strategy could reduce annual income in the three-state region during 1991-2000 by

$1 billion to $2.7 billion, in addition to the $1.2 billion expected to be lost compared to the 1983-1987 average without the ISC strategy.

OTHER CONSIDERATIONS

Our study included consideration of other economic impacts, and the social and cultural implications of the implementing the ISC strategy. On the latter, I defer to Professor Lee who is scheduled to appear at these hearings (see also Lee 1990).

The economic impacts extend to loss of revenue to local governments in proportion to reductions of harvest, employment and income. Federal harvest reductions will reduce payments in-lieu of taxes (25 and 50 percent of gross receipts on national forests and BLM O&C lands, respectively). There will be increased social costs to mitigate job losses, while income tax and property tax receipts fall because of lost income and property devaluation likely to accompany loss of economic vitality in some timber dependent communities.

Another topic especially pertinent to the reason for these hearings is the often-heard proposal that the employment and income loss in primary wood products sectors might be offset by increasing activity in secondary wood products manufacturing. From his study of factors that influence the location of secondary wood products manufacturing, Professor Polzin concluded that such industries are more likely to locate close to markets, rather than to sources of raw materials (Polzin 1990). This is because such activity tends to add bulk and quality (e.g., furniture) that, in turn, add to the costs of packaging and shipping. Even setting that aside, it seems far-fetched that such industries can be lured to rural communities in the three-state region in the face of declining availability of high quality wood, given they didn't previously locate there when such wood was plentiful.

Thank you for the opportunity to present the results of our research. I encourage committee members and staff to look closely at the tables included in this written testimony for a better understanding of the variation of economic impact throughout the three-state owl region.

Table 1. Summary of harvest impacts related to the ISC strategy by owner class.

State and ownership	Average harvest 1983-1987	...Projected harvest for 1991-2000... Before ISC strategy	With ISC strategy
	(Annual volumes in million board feet, long log; percentage changes in () are from 1983-1987 average; percentage changes in [] are from "before ISC strategy")		
WASHINGTON OWL REGION			
Federal	1,095	684 (-37%)	321 (-71%)[-53%]
Other public	1,045	933 (-11%)	783 (-25%)[-16%]
Private	3,612	3,400 (- 6%)	2,124 (-41%)[-38%]
Total Wash. Owl Region	5,752	5,018 (-13%)	3,228 (-44%)[-36%]
OREGON OWL REGION			
Federal	3,506	2,663 (-24%)	1,619 (-54%)[-39%]
Other public	334	271 (-19%)	221 (-34%)[-18%]
Private	3,083	2,950 (- 4%)	1,557 (-49%)[-47%]
Total Ore. Owl Region	6,924	5,883 (-15%)	3,397 (-51%)[-42%]
CALIFORNIA OWL REGION			
Federal	1,038	1,021 (- 2%)	857 (-17%)[-16%]
Other public	62	33 (-47%)	5 (-92%)[-85%]
Private	1,692	1,370 (-19%)	457 (-73%)[-67%]
Total Calif. Owl Region	2,792	2,425 (-13%)	1,319 (-53%)[-46%]
THREE-STATE OWL REGION			
Federal	5,639	4,368 (-23%)	2,797 (-50%)[-36%]
Other public	1,441	1,237 (-14%)	1,009 (-30%)[-18%]
Private	8,387	7,720 (- 8%)	4,137 (-51%)[-46%]
Total 3-state Owl Reg.	15,467	13,325 (-14%)	7,943 (-49%)[-40%]

NOTE: Federal includes Forest Service and B.L.M.

SOURCE: Adapted from Rasmussen (1990).

Table 2. Summary of harvest impacts related to the ISC strategy by economic region.

State and region/area	Average harvest 1983-1987	Projected harvest for 1991-2000		
		Before ISC strategy	With ISC strategy	
			public land only	public and private
	(Annual volumes in million board feet, long log; percentage changes in () are from 1983-1987 average; percentage changes in [] are from "before ISC strategy")			
WASHINGTON OWL REGION				
Puget Sound	1,232	1,228 (- 0%)	1,113 (-10%)[- 9%]	852 (-31%)[-31%]
Olympic Pen.	2,005	1,509 (-25%)	1,378 (-31%)[- 9%]	882 (-56%)[-42%]
Southwest	1,884	1,739 (- 8%)	1,536 (-18%)[-12%]	1,016 (-46%)[-42%]
Subtot. W. Wash.	5,121	4,476 (-13%)	4,027 (-21%)[-10%]	2,750 (-46%)[-39%]
Central	631	542 (-14%)	478 (-24%)[-12%]	478 (-24%)[-12%]
Total Wash. Owl Region	5,752	5,018 (-13%)	4,505 (-22%)[-10%]	3,228 (-44%)[-36%]
OREGON OWL REGION				
Northwest	1,327	1,209 (- 9%)	1,013 (-24%)[-16%]	708 (-47%)[-41%]
West Central	2,256	1,950 (-14%)	1,479 (-34%)[-24%]	929 (-59%)[-52%]
Southwest	2,512	2,159 (-14%)	1,754 (-30%)[-19%]	1,217 (-52%)[-44%]
Subtot. W. Oregon	6,095	5,318 (-13%)	4,248 (-30%)[-20%]	2,855 (-53%)[-46%]
Central	829	565 (-32%)	542 (-35%)[- 4%]	542 (-35%)[- 4%]
Total Oregon Owl Region	6,924	5,883 (-15%)	4,790 (-31%)[-19%]	3,397 (-51%)[-42%]
CALIFORNIA OWL REGION				
North Coast	1,016	967 (- 5%)	896 (-12%)[- 7%]	237 (-77%)[-75%]
North Interior	948	757 (-20%)	656 (-31%)[-13%]	402 (-58%)[-47%]
Sacramento	828	702 (-15%)	680 (-18%)[- 3%]	680 (-18%)[- 3%]
Total Calif. Owl Region	2,792	2,425 (-13%)	2,232 (-20%)[- 8%]	1,319 (-53%)[-46%]
THREE-STATE OWL REGION				
Total	15,467	13,325 (-14%)	11,527 (-25%)[-13%]	7,943 (-49%)[-40%]

SOURCE: Adapted from Rasmussen (1990).

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Table 3. Employment and earnings by economic region, 1985.

Economic area/region	Wage, salary & self employment			Wage & salary employee compensation		
	Wood products			Wood products		
	Primary	Sec.	All ind.	Primary	Sec.	All ind.
	(annual average jobs)			(millions of 1988 $)		
WASHINGTON						
Puget Sound	5,464	2,418	293,881	193.7	47.9	6,182.1
Olympic Penin.	10,175	1,818	117,693	328.6	42.5	2,367.7
Southwest	14,680	1,929	136,776	483.6	40.2	2,845.7
Western Washington	36,300	10,381	1,561,096	1,197.0	218.7	32,259.0
Central	5,129	814	144,436	145.8	16.0	2,405.6
Wash. Owl Region	41,429	11,195	1,705,532	1,342.8	234.7	34,664.6
OREGON						
Northwest	7,159	1,759	146,369	235.1	36.9	2,539.7
West Central	16,726	3,099	194,609	497.8	83.1	3,567.2
Southwest	18,269	2,770	136,477	530.8	59.4	2,520.3
Western Oregon	49,720	11,645	1,062,932	1,513.9	253.3	19,475.4
Central	5,539	3,679	71,993	158.3	87.7	1,230.4
Ore. Owl Region	55,259	15,324	1,134,925	1,672.2	341.0	3,175.8
CALIFORNIA						
North Coast	8,034	3,101	229,861	907.9	238.9	4,920.2
North Interior	3,900	1,506	89,820	217.5	115.3	1,976.4
Sacramento	4,720	4,547	372,336	134.1	94.5	7,797.3
Calif. Owl Region	17,264	11,213	1,119,657	503.7	228.4	24,659.6
3-STATE OWL REG.	108,823	36,918	3,815,678	3,372.9	788.2	77,724.4

NOTE 1: Primary wood products includes: SIC 2411 (logging), 2421 (sawmills & planing mills), 2435-6 (veneer & plywood), 26xx (pulp & paper). Secondary wood products includes remainder of SIC 24xx (other wood products), 2511-12, 2517, 2521, 2542 (wood furniture & fixtures).

NOTE 2: Regional totals are larger than the sum of the individual regions because the large metropolitan areas are excluded from individual regions but are included in regional totals (see text for further explanation).

SOURCE: Adapted from Olson (1990: p.4).

Table 4. Economic dependency indexes for wood products and other selected industrial sectors, by economic area and region, 1985.

Economic area/region	Wood Products		Other Mnfg	Ag, For. & Fish.	Services	Other	Total
	Primary	Secondary	(Dependency indexes: estimated % of area's economic base)				
WASHINGTON							
Puget Sound	7	2	31	16	14	30	100.0
Olympic Penin.	40	5	0	9	19	27	100.0
Southwest	55	4	9	13	9	10	100.0
Western Washington	13	0	40	7	13	27	100.0
Central	10	0	9	72	4	5	100.0
OREGON							
Northwest	23	3	10	44	8	12	100.0
West Central	45	6	2	21	13	13	100.0
Southwest	52	6	0	23	7	12	100.0
Western Oregon	40	5	4	22	6	23	100.0
Central	28	18	0	18	9	27	100.0
CALIFORNIA							
North Coast	15	4	9	24	28	20	100.0
North Interior	17	5	0	17	23	38	100.0
Sacramento	2	3	6	44	21	24	100.0
Northern Calif.	5	3	3	22	27	40	100.0
3-STATE OWL REG.	20	4	16	14	17	29	100.0

NOTE 1: See Note 1 for Table 2 for key to primary and secondary wood product industries.

NOTE 2: Dependency indexes in this table were determined exclusive of the government and household sectors. See Table A-2 in Olson (1990) indexes determined with all sectors included. Also, see Table A-1 in Olson (1990) for more sector detail regarding indexes in this table.

NOTE 3: Metropolitan areas are included in the economic areas as well as the regions in this table.

SOURCE: Olson (1990).

Table 5. Expected change from 1983-1987 employment during 1991-2000, with projected timber harvests before ISC strategy.

Economic area/region	Direct timber industry jobs	Total jobs	Total jobs net of tech. change
		(Number of jobs)	
WASHINGTON			
Puget Sound (non-metro)	-240	-640	-577
Olympic Peninsula	-2,775	-4,471	-4,033
Southwest	-874	-1,408	-1,270
Western Washington (non-metro)	-3,889	-6,519	-5,880
Puget Sound (metro only)	-152	-1,907	-1,720
Western Washington (w/metro)	-4,041	-8,426	-7,600
Central	-1,111	-1,460	-4,354
Wash. Owl Region (non-metro)	-5,000	-12,134	-10,234
Wash. Owl Region (w/metro)	-5,152	-14,041	-11,954
OREGON			
Northwest (non-metro)	-1,117	-1,999	-1,803
West Central	-3,132	-5,615	-5,065
Southwest	-2,634	-5,607	-5,058
Western Oregon (non-metro)	-6,883	-13,221	-11,926
Northwest (metro only)	0	-1,365	-1,231
Western Oregon (w/metro)	-6,883	-14,586	-12,446
Central	-3,539	-4,827	-4,354
Ore. Owl Region (non-metro)	-10,422	-18,048	-16,280
Ore. Owl Region (w/metro)	-10,422	-19,413	-17,511
CALIFORNIA			
North Coast	-511	-866	-799
North Interior	-1,591	-2,493	-2,249
Sacramento (non-metro)	-1,375	-1,564	-1,411
Northern Calif. (non-metro)	-3,477	-4,943	-4,459
Sacramento (metro only)	-191	-1,435	-1,294
Northern Calif. (w/metro)	-3,668	-6,378	-5,753
3-STATE OWL REGION (non-metro)	-18,899	-32,913	-29,688
3-STATE OWL REGION (w/metro)	-19,497	-44,436	-40,081

NOTE: Direct timber industry includes lumber & shakes, veneer & plywood, pulp & board, logging, and forestry.

SOURCE: Adapted from Olson (1990).

Table 6. Summary of expected changes in total jobs during 1991-2000 if ISC strategy were implemented today, compared to the situation likely to have occurred without the ISC strategy (number of jobs).

Economic area/region	Before ISC strategy	Projected additional job losses with ISC strategy	
		On public land only	On public and private land
	(compared to 1983-1987)	(compared to "before ISC strategy" for 1991-2000)	
WASHINGTON			
Puget Sound (non-metro)	-640	-1,264	-3,625
Olympic Peninsula	-4,471	-1,363	-5,025
Southwest	-1,480	-2,519	-7,029
Western Washington (non-metro)	-6,519	-5,146	-15,679
Puget Sound (metro only)	-1,907	-746	-6,256
Western Washington (w/metro)	-8,426	-5,910	-21,935
Central	-1,460	-1,099	-1,099
Wash. Owl Region (non-metro)	-12,134	-2,090	-12,623
Wash. Owl Region (w/metro)	-14,041	-2,854	-18,879
OREGON			
Northwest (non-metro)	-1,999	-3,166	-7,261
West Central	-5,615	-8,863	-17,473
Southwest	-5,607	-7,212	-14,317
Western Oregon (non-metro)	-13,221	-19,241	-39,051
Northwest (metro only)	-1,365	+165	-519
Western Oregon (w/metro)	-14,586	-19,076	-39,570
Central	-4,827	-446	-446
Ore. Owl Region (non-metro)	-18,048	-19,687	-39,497
Ore. Owl Region (w/metro)	-19,413	-19,522	-40,016
CALIFORNIA			
North Coast	-866	-1,491	-13,819
North Interior	-2,493	-1,526	-4,649
Sacramento (non-metro)	-1,564	-370	370
Northern Calif. (non-metro)	-4,943	-3,367	-18,818
Sacramento (metro only)	-1,435	-406	657
Northern Calif. (w/metro)	-5,378	-3,773	-19,475
3-STATE OWL REGION (non-metro)	-32,913	-27,356	-73,150
3-STATE OWL REGION (w/metro)	-44,436	-40,321	-102,757

SOURCE: Adapted from Olson (1990), Appendices F, H & I.

Table 7. Summary of expected changes in annual income during 1991-2000 if ISC strategy were implemented today, compared to the situation likely to have occurred without the ISC strategy ($ million).

Economic area/region	Before ISC strategy	Projected additional income losses with ISC strategy	
		On public land only	On public and private land
	(compared to 1983-1987)	(compared to "before ISC strategy" for 1991-2000)	
WASHINGTON			
Puget Sound (non-metro)	-14.8	-34.7	-101.6
Olympic Peninsula	-126.3	-37.6	-145.4
Southwest	-44.4	-75.6	-221.7
Western Washington (non-metro)	-185.5	-147.4	-468.7
Puget Sound (metro only)	-50.6	-18.6	-140.6
Western Washington (w/metro)	-236.1	-166.0	-609.3
Central	-36.7	-27.6	-27.6
Wash. Owl Region (non-metro)	-222.2	-175.0	-496.3
Wash. Owl Region (w/metro)	-272.8	-193.6	-636.9
OREGON			
Northwest (non-metro)	-54.5	-85.6	-195.5
West Central	-151.1	-238.8	-467.6
Southwest	-166.4	-212.0	-426.8
Western Oregon (non-metro)	-372.0	-536.4	-1,089.9
Northwest (metro only)	-14.2	-19.4	-36.9
Western Oregon (w/metro)	-386.2	-555.8	-1,126.8
Central	-132.4	-12.3	-12.3
Ore. Owl Region (non-metro)	-504.4	-548.7	-1,102.2
Ore. Owl Region (w/metro)	-518.6	-568.1	-1,139.1
CALIFORNIA			
North Coast	-20.0	-33.4	-311.7
North Interior	-58.5	-36.2	-109.3
Sacramento (non-metro)	-33.4	-8.1	-8.1
Northern Calif. (non-metro)	-111.9	-77.7	-429.1
Sacramento (metro only)	-32.8	-9.6	-13.9
Northern Calif. (w/metro)	-144.7	-87.3	-443.0
3-STATE OWL REGION (non-metro)	-838.5	-801.4	-2,027.6
3-STATE OWL REGION (w/metro)	-1,156.9	-1,049.4	-2,673.4

SOURCE: Adapted from Olson (1990), Appendices F, H & I.

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Biographical Sketch
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Dr. Beuter became a principal in the forestry consulting firm of Mason, Bruce and Girard, Inc. in 1988 after 18 years with the College of Forestry at Oregon State University where he served in a variety of positions including professor of forest management, department head, associate dean for instruction and continuing education, and director of research forests.

He holds a B.S. degree in forestry (1957) and an M.S. degree in forest economics (1958) from Michigan State University, and a Ph.D. in forestry and economics (1966) from Iowa State University. His early professional experience included working as a forestry research assistant in northern Michigan, a fire fighter on the Modoc National Forest in California, and a forester on the Mt. Hood National Forest.

Following three years in the Air Force, he was employed from 1961 to 1968 as a research forester at the U.S. Forest Service Pacific Northwest Forest and Range Experiment Station in Portland, Oregon, first in forest inventory and resource analysis, and later as project leader for marketing economics research.

From 1968-1970, he was employed as a forest economist by Mason, Bruce & Girard before moving to the College of Forestry at Oregon State University as associate professor of forest management.

Dr. Beuter's research has included topics in forest resource analysis, forest measurements and timber sale procedures, forest management economics, and silvicultural analysis. He is best known for his leadership of a 1976 study of Oregon's timber resources that resulted in the so-called "Beuter Report", and for his 1985 Library of Congress report on federal timber sales. He has extensive experience teaching undergraduates, graduate students, and continuing education participants in such topics as general forestry, forest economics, forest management, and silvicultural analysis.

His consulting clients have included forest products firms and associations, law firms, U.S. Department of Justice, U.S. Forest Service, Bureau of Land Management, and the Congressional Research Service of the Library of Congress. He has served as an expert witness in the U.S. Claims Court and the U.S. Tax Court, and has testified at numerous hearings of both houses of the U.S. Congress, and the Oregon Legislature.

Dr. Beuter received the 1977 OSU Forestry Alumni Distinguished Faculty Achievement Award for contributions in research. He was elected a Fellow of the Society of American Foresters in 1986.

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ADJUSTMENT ASSISTANCE FOR WORKERS DISLOCATED BY FEDERAL POLICY INITIATIVES

Statement
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Before the
Subcommittee on Regulation,
Business Opportunities and Energy
Committee on Small Business
U.S. House of Representatives

July 30, 1990

ADJUSTMENT ASSISTANCE FOR WORKERS DISLOCATED BY FEDERAL POLICY INITIATIVES

Mr. Chairman, I am reporting today on an analysis of how current Federal programs serve workers dislocated by new Federal policies and how these programs could be modified should Congress want to improve their potential for worker adjustment assistance. This work is discussed in more detail in a new Congressional Research Service report entitled *Income Support for Workers Dislocated by Federal Policy Initiatives.*

Congress often faces policy decisions that carry social costs. The resolution of several policy issues before the 101st Congress could impose costs in the form of unemployment on selected communities across the Nation. These issues include environmental regulation matters and reductions in defense spending.

POTENTIAL FEDERAL POLICY ACTIONS AND THEIR IMPLICATIONS FOR EMPLOYMENT

The Federal Government is currently considering stricter regulation of economic activity in order to preserve or restore environmental quality. It is likely that pressure to strengthen environmental protection measures will increase. The Government also is expected to reduce military spending substantially over the next few years and close numerous military bases. These changes will cause unemployment. Viewed nationally, such changes are likely to be modest, but particular communities and individuals may be hard hit economically. Unemployment caused by such Federal policy initiatives is often concentrated in specific industries and/or regions because these initiatives usually emerge in response to specific economic or Government activities. Sometimes, the viability of a community or segments of an industry may be threatened. The question has arisen: Should unemployment caused by new Federal policies be singled out for special Government compensation?

Clean Air Act Amendments

Amendments to the Clean Air Act pending before the 101st Congress would impose controls to reduce the use of coal with high sulphur content and thereby diminish the acid rain problem. Studies of the likely effects of these controls indicate that a part of the coal mining industry would be severely affected since the demand for high-sulphur coal would decline. Other industries that use this coal also would be affected to the extent that they would need to modify their production processes. The Environmental Protection Agency (EPA) estimates that this legislation could cause loss of as many as 5,000 mining jobs by 1995 and 16,000 by 2000. There are 330,000 workers in mining industries. Thus, this impact would be substantial for the industry in the geographic areas where the affected mines are concentrated. Total jobs lost in all industries could reach 50,000, a relatively small number

compared to the total U.S. civilian employment of 118 million, but these losses would be concentrated in areas with coal mines and those where plants use high-sulphur coal.

Senator Byrd of West Virginia proposed a compensation program for workers who would become unemployed as a result of the legislation. His amendment was defeated by one vote on March 29, 1990. Representative Wise of West Virginia offered an amendment in the House to establish a benefit plan for workers who would lose their jobs because of the Clean Air Act amendments, and his proposal was passed by the House as an amendment to H.R. 3030 on May 23, 1990. This new program, called Clean Air Employment Transition Assistance, would closely resemble the current trade adjustment assistance (or TAA) program for workers adversely affected by foreign trade, except that it would place a limit on allowable Federal spending for cash benefits. This measure now awaits consideration by a House-Senate conference committee.

Old Growth Forests and the Northern Spotted Owl

Wildlife and ecosystem preservation is the objective behind other current environmental efforts that threaten employment. In Washington, Oregon, and northern California, Federal plans to protect old growth forests and preserve an adequate habitat for the northern spotted owl would endanger jobs in the timber industry. An overwhelming impact on small communities in the affected areas would create secondary unemployment as well among retail trade and service workers.

A recent analysis by the U.S. Forest Service[1] estimates that 19,162 jobs would be lost by 2000 if the conservation strategy recommended by the Interagency Scientific Committee were carried out. While about half of the lost employment could be made up by increased activity on private forest lands, this offset would be short-lived and would disappear by 2000. About two-thirds of job losses would occur in Oregon, where the economic impact would be greatest. Unemployment of this magnitude would raise that State's total number of jobless by 19 percent and raise the State's unemployment rate from 4.9 to 5.9 percent. Since the spotted owl has been listed as threatened under the Endangered Species Act, further restrictions on economic activity might be triggered, with additional jobs lost as a result.

Other Environmental Initiatives

Other environmental impacts on employment can be anticipated, and Congress probably will face further efforts to compensate workers dislocated by environmental policies. For example, concern over the dwindling habitat

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[1]U.S. Dept. of Agriculture. Forest Service; U.S. Dept. of the Interior. Bureau of Land Management. *Economic Effects of Implementing a Conservation Strategy for the Northern Spotted Owl*. Washington, 1990. 65 p.

of the red-cockaded woodpecker could lead to restrictions on logging in forests ranging from Virginia to Texas and could affect employment in 13 States. Court action already has led to a temporary ban on clear-cutting in more than one million acres of national forest in eight of these States.

Concern has also been raised about employment related to tuna fishing and shrimping because of pressure to change netting techniques to avoid the accidental destruction of dolphins and sea turtles.

Defense Spending Cuts

In regard to defense spending, a Federal commission has recommended closure of 86 military bases, partial closure of 5, and realignment of another 54. Further reductions in defense spending are anticipated from a shifting of Federal budget priorities in light of lessened international tension in Europe. These changes are likely to have adverse short-term impacts on the communities involved, although long-term economic benefits might be expected where abandoned bases and plants could be converted to other uses.

There are no estimates of job losses such policy shifts might cause since final budget decisions are not yet made, but one Defense Department study did analyze the implications of a hypothetical cut in defense employment.[2] It found that an across-the-board 10-percent cut would cost 340,000 jobs over 3 to 5 years, with the greatest effects felt in California, Texas, New York, Massachusetts, and Virginia.

CURRENT PROGRAMS AND THEIR LIMITATIONS

The Federal Government has a mechanism for replacing some of the income lost by jobless workers: the Federal-State unemployment compensation system, which I will refer to as "unemployment comp" for short. This system has seen little structural change in the 55 years since its origin in the Social Security Act. However, it has been supplemented since the 1960s by major Federal programs that offer job training to the long-term unemployed. Currently, Title III of the Job Training Partnership Act (or JTPA) is the primary vehicle for such efforts. For some of the unemployed who meet tests for low income and limited assets, a variety of other income assistance and training programs are also available.

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[2]U.S. Dept. of Defense. Office of Economic Adjustment. *Potential Defense Work Force Dislocations and U.S. Defense Budget Cuts: An Illustration*. Staff Paper, by Joseph V. Cartwright. Washington, Mar. 1990. 14 p.

Unemployment Compensation

The purpose of unemployment comp is to provide partial wage replacement for workers with substantial recent work experience who lose their jobs for economic reasons. This aid is provided temporarily while the jobless worker seeks other employment. It gives the worker enough time in most circumstances to find work at the appropriate skill level, and it keeps a trained work force available for recall by the employer when layoffs are temporary.

Jobs covered by unemployment comp are specified in Federal law, but States set most of the rules that determine benefit amounts and duration. Up to 26 weeks of benefits are typically available. Federal law authorizes an extended benefit program of 13 additional weeks of benefits in States with insured unemployment rates above certain statutory levels. To qualify for benefits, a worker must meet the State's minimum requirement for previous work in a covered job and, in general, must have left the job involuntarily due to a layoff or job termination for business reasons.

Unemployment comp has several important limitations with respect to dislocated workers. First, extended benefits are seldom triggered under current law because the statewide unemployment rates that must be reached are relatively high. For example, although West Virginia's total unemployment rate was over 8 percent at the end of 1989, the State's insured rate was only 3.2 percent, well below the 6-percent unconditional trigger for extended benefits. Furthermore, extended benefits are unavailable for depressed regions within States unless the State's overall unemployment rate is also high. Thus, rural areas with high unemployment, such as the timbering areas of Oregon and Washington that would be affected by restrictions to protect old growth forests and the spotted owl, will not benefit from extended benefits unless the economy were to decline significantly in the populous parts of these States.

The House Ways and Means Subcommittee on Human Resources has approved H.R. 3896, which would relax the statewide extended benefit trigger and allow Governors to declare substate areas eligible for extended benefits without regard to statewide eligibility. The full Committee has not yet acted on this measure.

Another limitation of unemployment comp is the benefit level. Most State benefit formulas are designed to replace one-half of the before-tax weekly wage. However, all States have caps on amounts an individual can receive, and these caps result in lower wage replacement for many workers. The caps range from $96 a week in Indiana to $293 a week in the District of Columbia for a worker with no dependents. The benefit level in Indiana would replace half the wage of a full-time worker only for a worker earning less than $4.80 an hour, which is much lower than the U.S. average hourly wage of $9.99.

Fourteen State unemployment comp programs supplement the basic benefit with dependents' allowances for jobless workers with dependents. However, none of the States affected by the old growth/spotted owl issue offers dependents' allowances, nor do those that might be affected by restrictions related to the red-cockaded woodpecker. Two States heavily affected by acid rain controls--Kentucky and West Virginia--do not provide dependents' benefits either.

A further limitation is that unemployment comp does not cover self-employed persons except on a voluntary basis in California.

Unemployment comp is administered by the State employment security agencies. These agencies provide employment counseling services, job information, and job referral, but they do not offer relocation assistance or job training.

Job Training Partnership Act (JTPA)

Training and related services for dislocated workers are authorized by Title III of JTPA, however. The most recent amendments, referred to as the Economic Dislocation and Worker Adjustment Assistance Act, took effect July 1, 1989.

Title III does not target services or give priority to any specific group of dislocated workers. Discretion is allowed to States and localities to determine which dislocated workers have the greatest need. The law defines eligible dislocated workers as individuals who have been laid off or have experienced long-term unemployment and who are unlikely to return to their previous industry or occupation.

Title III operates at the Federal, State, and local levels. The Secretary of Labor reserves 20 percent of appropriated funds for national purposes. The remaining 80 percent is allocated among States based on each State's degree of joblessness. Governors may keep up to 40 percent of State allotments at the State level. Reserved funds are used for administrative costs, statewide, regional, or industrywide projects, rapid response activities, coordination with unemployment comp, and additional assistance to substate areas experiencing substantial increases in worker dislocation. In addition, Governors may reserve another 10 percent of the State allotment for distribution to local areas with unforeseen needs.

Three major categories of services are authorized by Title III. At least 50 percent of funds received in a substate area must be used for *retraining services*. In certain cases, a local area may receive a waiver from the 50-percent requirement, but in no case may less than 30 percent of funds in a substate area be spent for retraining services. *Rapid response activities* are provided through specialists in the State dislocated worker unit, who make immediate contact (preferably within 48 hours) with employers and employee organizations after learning of an existing or planned mass layoff. In addition

to providing information about existing programs and emergency assistance when necessary, rapid response teams attempt to establish labor-management committees at the work site to develop strategies to deal with the employment and training needs of affected workers. *Basic readjustment services* include a wide range of activities, such as development of individual readjustment plans, various supportive services, and informational services.

Substate grantees may provide cash assistance to eligible dislocated workers under certain conditions. These needs-related payments may be provided to eligible workers who either do not qualify for unemployment comp or have exhausted their benefits and need support while in education or training. The payments may not exceed the higher of an individual's unemployment comp benefit or the official poverty income guideline ($12,700 in 1990 for a family of four). No more than 25 percent of funds expended by a substate grantee may be used for needs-related payments and other types of supportive services such as transportation assistance, child care, or counseling.

The U.S. Secretary of Labor reserves 20 percent of all funds appropriated for Title III for Federal activities and discretionary use. These funds can be used for all forms of rapid response services, basic readjustment services, and retraining in cases of mass layoffs, industrywide projects, multistate projects, special projects with Indian tribes, special projects to address regional or national concerns, and additional financial assistance to States and substate grantees. Federal discretionary money can be used for emergencies in a particularly distressed industry or region.

When JTPA was enacted in 1982, Title III was permanently authorized at "such sums as may be necessary." The 1988 amendments authorized $980 million for FY 1989 and "such sums as may be necessary" in subsequent years. However, the congressional appropriations committees do not treat Title III as an "entitlement." The 1990 appropriation is $464 million.

Title III is intended to respond in some way to *all* forms of worker dislocations, including those affecting entire regions, industries, or occupational groups, regardless of the cause of dislocations or whether they are anticipated in advance. Thus, it could be used to help workers who lose jobs because of new Federal policies. However, the ability of Title III to respond to large-scale dislocations depends on its appropriation level. Moreover, Title III is not a job-creation program; therefore, its ability to serve dislocated workers *successfully* is related to the overall economic health of the area in which it operates. Studies estimate that 76 percent of Title III trainees are placed in jobs, but how many of these "successes" would have found work as quickly without training is unknown. Finally, Title III has very little funding for cash stipends to help trainees.

The law contains various provisions designed to make Title III responsive to large-scale dislocations. Considerable flexibility exists to allow funds to be directed to a specific area or industry within a State. Governors may reserve

up to 40 percent of the State allotment for statewide activities, including extra assistance to areas where dislocated worker populations have increased substantially. Up to another 10 percent may be used by Governors specifically for substate areas in need.

State allotments are made according to a formula based on unemployment and, thus, do not reflect large-scale dislocations that occur in a given year. However, the law allows the Secretary to reallocate funds from under-spending States to States spending at a faster level. Specifically, 20 percent of a State's allocation from the preceding year, plus any unspent funds from prior years, may be reallocated. States that spent at least 80 percent of their allotment in the preceding year are eligible to receive reallocated funds, with priority going to eligible States with above-average unemployment rates.

In addition, funds reserved by the Secretary are available and intended to be used in cases of mass layoffs when otherwise available funds are inadequate. The law cites helping victims of mass layoffs caused by Federal action as an intended use of the Secretary's discretionary funds.

Title III is intended to respond flexibly to all forms of dislocations, including the type of large-scale regional dislocations anticipated in the mining and timber industries. However, Title III suffers from two major limitations:

- There is no assurance that adequate funds will be available to meet a specific need at a particular time; and

- Cash benefits from JTPA for persons in training are quite limited.

It should be noted that Title III is only one of several components of JTPA. The single largest is Title II-A, which provides employment and training services for economically disadvantaged adults and youth. This program is funded at $1.7 billion and is expected to serve approximately 850,000 new enrollees in FY 1990. Dislocated workers from households with income below the poverty level could be served through this larger JTPA program.

Assistance Related to Financial Need

Finally, a number of programs that provide support based on need would be available for some dislocated workers: the aid to families with dependent children (AFDC), food stamp, and medicaid programs, and State and local general assistance programs.

The usefulness of welfare programs and their work components to dislocated workers is severely limited by problems of access, adequacy, targeting, and funding.

To gain access to the support and training provided by welfare programs, applicants must pass relatively strict needs tests and, in the case of AFDC,

categorical rules that confine access to families with children. In the short term, the income and asset eligibility standards pose the greatest barriers; for example, a dislocated worker with a typical unemployment comp benefit and a 2-year-old car would probably not qualify for cash welfare, food stamps, or medicaid. This exclusion would deny the worker both income support and training benefits. More importantly, welfare programs' asset limitations substantially restrict access for dislocated workers over both the short and long terms.

If access to welfare programs is gained, the adequacy of benefits is limited. Combined maximum cash and food stamp benefits in the median State are now about 70 percent of the poverty level for a three-person family. When compared to unemployment comp or TAA benefits, welfare support also falls short. Medicaid is limited to services covered by a State's program, and access to high-quality care may be limited in some areas.

Even if access and benefit adequacy were not a concern, the targeting of welfare program work and training efforts is such that they are likely to be of little use to dislocated workers. Under AFDC's JOBS program, priority service is encouraged for long-term recipients, not those likely to go on AFDC because of a policy-related dislocation. The food stamp program's employment and training would classify areas as "impractical" or not "cost-effective" for work or training efforts where dislocations have reduced job availability, and its initiatives operate to serve those most easily placed in the local economy in order to move them off food stamps.

Finally, funding for AFDC and food stamp work and training activities has been insufficient to serve all potential eligibles. In FY 1990, Federal funding is expected to be available to serve nearly 2 million participants, leaving at least another 2 million unserved. However, the President has requested that funding for AFDC work and training be more than doubled for FY 1991.

POSSIBLE OPTIONS: REVISE CURRENT PROGRAMS OR ESTABLISH A NEW PROGRAM

Policymakers concerned about workers dislocated by Federal policies may consider whether to rely on the existing network of programs and seek their improvement or design a new approach to the problem. Either strategy would require substantive legislation.

Achieving significant changes in unemployment comp, JTPA, and programs to aid the needy could be difficult and time-consuming. These programs have a long history of efforts at major revisions, and the compromises reached in the recent past may be resistant to further change. The JTPA program, which was rewritten only 2 years ago, represents a recent compromise among numerous interests. The program has resisted pressure to provide special treatment to particular groups of workers.

In summary, significant changes are usually slow in coming for these programs. The size of anticipated dislocation problems, while potentially significant, may or may not be large enough nationally to improve the chance for success in making major changes in unemployment comp, JTPA, or aid to the needy. However, this history could be bypassed through a legislative strategy to pursue a new program for workers who lose their jobs because of Federal policies.

PROGRAMS ENACTED TO COMPENSATE FOR UNEMPLOYMENT CAUSED BY FEDERAL POLICIES

Over the past three decades the Federal Government has acted several times to compensate for unemployment caused by specific Federal policy initiatives. TAA is an ongoing program to assist workers affected adversely by foreign trade. The other programs were one-time programs to continue the compensation of workers who lost jobs because of expansion of the Redwood National Park, railway reorganization, and airline deregulation.

Trade Adjustment Assistance (TAA)

When workers are threatened with job loss due to foreign trade, they may apply to the U.S. Department of Labor (DoL) for TAA. If the group of petitioning workers is found eligible by DoL, the individual workers must then be certified for benefit eligibility by the appropriate State's agency based on individual work records. The claimant must have been employed at least half the year preceding the layoff and must have earned at least $30 per week.

The TAA cash benefits, which are calculated in the same manner as unemployment comp, are paid for up to 26 weeks after unemployment comp is exhausted. Eligible individuals are required to enter a training program unless available training is deemed unsuitable by DoL. Cash benefits may be received during participation in training for as much as another 26 weeks. Thus, a worker could receive cash benefits for 78 weeks (26 weeks from unemployment comp and 52 weeks from TAA).

Since TAA is offered after unemployment comp is exhausted, TAA eligibles are not restricted to the 26-week benefit limit that usually applies to jobless workers. However, TAA benefit levels are the same as under unemployment comp and, therefore, are subject to the same restrictions discussed for unemployment comp. Coverage rules more demanding than those of unemployment comp apply, thereby screening out new work force entrants and recent reentrants to a greater extent than unemployment comp.

Funds for TAA training are treated as a capped entitlement with a statutory ceiling of $80 million in the congressional appropriations process. The availability of training has been constrained only by administrative decisions of DoL regarding suitability. Availability of cash assistance while in

training is another positive aspect of TAA from the worker's viewpoint. TAA also can pay part of an eligible worker's job search costs and relocation costs.

The DoL approved 47 percent of all TAA petitions received from workers during FY 1989. For FY 1990, TAA cash benefits are estimated to be $156 million, or $5,437 per beneficiary. Training costs are estimated at $79 million, or $3,490 per training participant.

Redwood Employee Protection Program

Of the one-time employee protection programs, the largest was the one enacted in 1978 for individuals who would lose their jobs because of expansion of the Redwood National Park in California.

The Redwood Employee Protection Program (REPP) continued an affected person's wages and fringe benefits and offered retraining and employment services. Individuals had the right to accept a lump-sum payment instead of monthly benefits, but few took the lump-sum option. Monthly benefits were generally available for up to 6 years but could continue to age 65 for those reaching age 60 during the 6-year period. Beneficiaries numbered 1,735 after the first 18 months, a figure exceeding expectations by 88 percent.

Rules for program eligibility were criticized in a review conducted in 1980 by the General Accounting Office (GAO).[3] The GAO study found that eligibility was extended to workers whose job loss was not associated with park expansion but with such factors as weather conditions or seasonal business fluctuations. GAO also found that workers in some enterprises were not included, even though affected by park expansion, because of technical features of the eligibility determination. GAO described the training and employment component of REPP as "ineffective."

Benefits were generous compared to those of unemployment comp and TAA, since the aim was to replace lost compensation in full, including employer contributions for health insurance and pension coverage. The fringe benefit component was difficult for DoL to administer, since the agency had to contract with an insurance company to process medical expense claims, and assurance of pension entitlements had to be arranged. The Federal Government continues to incur costs of $0.5 million a year to pay health and pension benefits under the 1978 Redwood legislation.

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[3]U.S. General Accounting Office. *Congress Should Scale Down Redwood Employee Program Benefits*. HRD-80-63, July 8, 1980. Washington, 1980. 87 p.

ISSUES IN RELIEVING UNEMPLOYMENT CAUSED BY FEDERAL POLICY INITIATIVES

Without congressional action to relieve unemployment caused by new Federal policies, those who are affected must look to the existing systems of unemployment comp benefits, JTPA training, and assistance based on need if they need public help. Should these programs' shortcomings move Congress to action, there are three major alternatives: (1) revise the existing programs; (2) enact a new program based on the TAA model; or (3) enact a program like the Redwood program that guarantees continuation of all wages and fringe benefits. A new program could be established as a one-time program for persons affected by a specific policy change or as an ongoing program covering a class of policy changes, including those that might occur in the future.

A revision of current programs would presumably concentrate on improvements to unemployment comp and JTPA. The most obvious unemployment comp improvement for dislocated workers would be to grant extended benefits more freely than permitted under current law. For instance, any qualified dislocated worker who was in an approved program of retraining might be granted a benefit extension for a given number of weeks. With Title III of JTPA, the key would be to assure the availability of training services for all qualified dislocated workers who need it through an entitlement approach to training such as is now followed for training TAA beneficiaries.

Adoption of a program modelled after TAA or the Redwood program could follow the patterns set by those programs almost exactly.

Regardless of the strategy taken, several questions would have to be answered to design a legislative proposal:

- Which workers would be eligible for benefits?
- To what extent would benefits replace compensation?
- For how long would benefits be paid?
- How, and to what extent, would job training and job creation be promoted?
- How would the program be administered and financed?

Eligibility

Determining the pool of eligibles may be the most difficult design issue. There are two questions to answer in shaping legislation. Which firms have been affected adversely by new Federal policies? Which workers within those firms have sufficient work experience to be granted eligibility? Tight rules for eligibility determinations would inevitably leave out some job losers who were truly affected by the policies; loose rules would admit workers who had lost

jobs for reasons having nothing to do with new policies. Past programs have erred on both sides, according to available studies.

In the case of environmental policies, determining which firms have been affected might be difficult sometimes. To take the example of the old growth/spotted owl issue, protection of the old growth habitat would reduce timbering in certain areas, but those areas could have been adversely affected already by competitive factors or productivity problems that are unrelated to Federal policy. It could be unwise to spell out in statutory language detailed criteria for making such eligibility judgments, but lack of statutory determination would mean that an appointed official or board would have considerable discretion in applying general guidelines to the specific business situation of each applicant.

Eligibility criteria could be defined in terms of the types of Federal policy changes to be covered by the program. These could include new legislation, amendments to old legislation, new or revised regulations, and final judicial decrees. The subject matter of these policy changes could also be defined. In the environmental area, these might include improving or protecting air quality, improving or protecting water quality, preserving wild animals or plants, conserving wilderness areas and wetlands, reclaiming land, controlling toxic substances, or suspending offshore oil and gas exploration. In regard to defense spending cuts, relevant policy changes could be limited to domestic base closures, demobilization of troops based abroad, and large procurement cutbacks. Claimants would have to cite a relationship to a policy change that complies with these guidelines in regard to both type and subject matter to be considered for eligibility.

In regard to eligibility for individual workers within affected firms, the main issue is whether to use current unemployment comp rules, TAA rules, or some other rules in regard to work history. Other questions of individual eligibility concern treatment of seasonal employees, the applicability of income and assets tests, and coverage of the self-employed.

Benefit Level

Setting benefit levels always involves a tradeoff between providing a benefit large enough to allow for a reasonable living standard versus avoiding a level of generosity that erodes the financial incentive to seek new employment. Unemployment comp and TAA represent one approach, with benefits pegged to half of cash wages in most States but held to less than that for many employees by benefit caps. The one-time employee protection programs offer another approach, attempting to replace most or all lost wages and, in some cases, other benefits of employment, such as employer contributions for health insurance and pensions.

A Presidential commission[4] concluded in 1980 that unemployment comp benefits should replace two-thirds of wages, a level that is more generous than now provided by either unemployment comp or TAA, but less generous than the full protection provided by the one-time protection plans.

Benefit Duration

The question of benefit duration is also one of income adequacy versus incentive to work. A duration long enough to allow an individual to make a thorough job search before deciding to relocate gives a community the stability needed to retain its economic viability during what may be only a temporary downturn. However, a benefit duration that is too long may discourage some beneficiaries from serious job search until long after the layoff has begun.

Unemployment comp generally provides benefits while unemployed for as long as 26 weeks. An extended benefit period can be triggered for another 13 weeks in States that have unemployment rates above threshold rates specified in law. TAA extends the 26-week unemployment comp duration for another 26 weeks in recognition of the fact that major layoffs often require a longer period for job opportunities to emerge in the affected area. TAA's extension is tied to participation in a training program to encourage retraining for those who can benefit from it.

The one-time protection programs such as the Redwood program were criticized for having too long a duration. Their design seems to have been directed more toward the indemnification of an economic injustice than the facilitation of a career transition.

Job Training/Job Creation

In regard to job training, there are two current models: JTPA Title III and TAA. However, it should be noted that neither program has been thoroughly evaluated to determine to what extent these programs improve on the career adjustments that would occur without Government intervention. This lack of evaluation appears to stem from a decline in DoL's research budget during the 1980s. This knowledge gap about the operation of these programs makes it impossible to judge how such programs as Title III or TAA would perform if required to train workers dislocated by pending environmental policies or defense spending cuts.

Title III was designed with the premise that dislocated workers should be equally eligible for employment and training services regardless of the cause of dislocation. To assure that JTPA could serve persons who lose jobs because of Federal policy might require two types of changes: earmarking funds for specific economic dislocations; and providing more cash benefits to trainees. However, the earmarking of funds for a specific purpose would prompt other

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[4]National Commission on Unemployment Compensation. *Unemployment Compensation: Final Report*. Washington, July 1980. 264 p.

interests to seek similar arrangements, thereby undermining a major strength of JTPA Title III--its ability to respond flexibly as needs change in particular labor markets. Adding cash stipends would make the program more costly and convert it into something it was not originally intended to be--an income maintenance program.

As discussed earlier, there are precedents for singling out certain groups of workers by virtue of the cause of their dislocation. And now, in the 101st Congress, the House-passed version of the Clean Air Act (H.R. 3030) would ensure JTPA services for persons affected adversely by that law. If this bill should become law, persons losing jobs because of the Clean Air Act amendments would receive preference for training positions in JTPA programs in situations where available funds were insufficient to cover all demands for services.

Special treatment for workers dislocated by Federal policies would raise the following issues:

- Would dislocated workers be *entitled* to retraining and employment services?
- Would participation in retraining or employment services be a prerequisite for receipt of cash benefits?
- Would dislocated workers be referred to JTPA services, or would they be enrolled in a separate program?
- How would a separate program of retraining and related services be coordinated with existing training and economic development programs?
- Would existing programs be reimbursed for costs of serving these workers?
- Who would be responsible for determining quality and appropriateness of training?
- Would trainees receive financial assistance for job search or relocation?

TAA requires beneficiaries to enroll in an approved training course unless the requirement is waived because the available training cannot be economically justified in a particular case. Funding for TAA training is treated as a capped entitlement by Congress, and scarcity of training funds has not been a concern for TAA program managers or beneficiaries.

Funds also are made available to qualified TAA beneficiaries for relocation allowances and job search allowances. Job search allowances are available to eligibles who cannot find suitable work within the commuting area. To qualify, the laid-off worker must apply within 1 year of certification or within

6 months of concluding a training program. The allowance pays 90 percent of necessary job search expenses, based on 50 percent of the Federal rates for travel, up to a maximum of $800. Relocation allowances pay 90 percent of necessary expenses based on Federal rates for moving a household to the location of a job offer, plus a lump-sum payment of no more than $800. To be eligible, the beneficiary must have received suitable job offers only outside the commuting area and must apply for such aid within 6 months of completing training.

Provisions similar to those of TAA could be adapted for a new dislocated worker program. Coordination with regional or State economic development activities could help ensure that training is provided in occupations with significant job opportunities.

An innovation now being tested in unemployment comp to promote self-employment could be considered as an element in a new program. That is, dislocated workers interested in starting new businesses could be given the necessary counseling and provided with their cash benefits in a lump sum to help them set up new enterprises. DoL's demonstrations of this idea are not yet completed, but we do know that this approach would be appropriate for only a small percentage of dislocated workers. In the Washington State demonstration, only 6 percent of eligible unemployed workers were interested in the entrepreneurship project, and only 3 percent actually qualified for the demonstration under DoL's requirements.

Administration and Financing

If a new program were established, its administration would include: (1) identification of affected employers and employees; (2) provision of benefits; and (3) job training or job creation activities. It is unlikely that any one *level* of administration could handle all of these tasks.

Eligibility Decisions

Establishing the administrative process for identification of eligibles would pose such questions as:

- To what extent should Federal agencies other than DoL be involved?
- Should the Federal role for individual eligibility determinations be limited to the setting of guidelines, leaving day-to-day operations to State/local officials?
- To what degree would States, localities, employers, and employees be brought into the identification process?
- How would appeals of eligibility determinations be handled?
- Should recipients be monitored beyond the initial eligibility decision to determine the employment outcomes?

Provision of Benefits

Issues that would arise in regard to provision of benefits include:

- Should the same agency that determines eligibility administer benefit payments?
- If assistance were to include fringe benefits, should their administration be contracted out or handled by government managers?
- Should employers be involved in furnishing benefits?

Employment Services

Issues related to management of job training and creation include the following:

- Should the existing decentralized pattern for job training be followed?
- To what extent should current efforts be used in an initiative for dislocated workers?
- Should affected employers be involved in retraining activities?

Program Financing

Financing a system for dislocated workers would pose questions as to timing, whether benefits should be viewed as an entitlement, whether non-Federal sources of funding should be tapped, and for how long funding should be authorized.

As an entitlement, funding for benefits would be virtually automatic. Alternatively, income support benefits might be an entitlement, while other services (e.g., training) could be limited by appropriations decisions, or both could be made subject to annual appropriations decisions. Making income support benefits subject to annual appropriations would put pressure on Congress to enact supplemental appropriations if the initial funding were inadequate to meet total benefit claims. Regardless of the funding method used, the entire program could be authorized for a limited time to ensure that Congress could review its usefulness periodically.

A case could be made that non-Federal (probably State) funding should play a part in supporting a program for dislocated workers. Federal provision of benefits would spare States substantial welfare and other costs which could free funds for this purpose. Furthermore, if States were to play a major administrative role, it might be advisable to give them a significant financial stake in the outcome.

CONCLUSION

If the approach of revising current programs were taken, a number of issues would arise that have long been regarded as contentious, such as Federal benefit rules for State-run programs. To resolve these issues would require a high degree of legislative success in matters of great complexity and longstanding controversy. Such success might not be prompted by the current scope of the dislocation problem. Thus, either the second or third strategy, to propose a program like TAA or the Redwood Employee Protection Program, might encounter less legislative resistance. The 1990 House action on the Clean Air Act amendments (H.R. 3030) reflects a decision to follow the TAA model. Introduced bills (H.R. 3999, H.R. 5010) to assist workers affected by defense cutbacks also have followed that model. GAO strongly criticized two of the one-time employee protection programs for being poorly targeted and overly generous. Such programs are not now proposed in any pending legislation as a response to anticipated dislocation problems.

Instead of reacting to each worker dislocation as it arises, Congress could decide to adopt a general plan to compensate uniformly any group of workers able to demonstrate loss of work because of certain Federal policy initiatives. The advantage of a general plan would be that Congress could apply the same rules to similarly affected workers through a single agency and perhaps avoid the excesses and inefficiencies that have accompanied ad hoc employee protection efforts in the past. On the other hand, establishing the limits for coverage by a general program might be troublesome. Furthermore, experience has shown that sorting out the economic effects of policy initiatives from those of other factors can be difficult. For example, in the old growth/spotted owl question, four major factors will simultaneously reduce timber employment: the new National Forest plans, the continuing decline in amounts of old growth timber, spotted owl conservation, and increases in mechanization of mills.

Finally, design of an initiative to assist dislocated workers would be constrained by its impact on the Federal budget deficit. Emphasis on minimizing budgetary impact would mean that an initiative would probably define eligibility narrowly, provide benefits no more generous than those available under comparable programs, keep entitlements to a minimum, and authorize benefits for a definite time period. However, if a budgetary environment developed that placed a high priority on rectifying worker dislocation problems, then a broad-based, permanently authorized program entitling eligibles to income support and retraining superior to that offered by unemployment comp and JTPA might be considered.

90-330 EPW

CRS Report for Congress

Income Support for Workers Dislocated by Federal Policy Initiatives

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Congressional Research Service • The Library of Congress

INCOME SUPPORT FOR WORKERS DISLOCATED BY FEDERAL POLICY INITIATIVES

SUMMARY

Congress has under consideration several policy changes that could cause unemployment in specific localities. There is considerable interest in Federal help for workers dislocated by such legislation. Cash benefits and job training available under current programs could be improved by revisions in those programs, or help could be offered by a new program.

These potential policy changes include environmental protection measures and shifts in defense spending. For example, amendments to the Clean Air Act could result in the loss of 16,000 mining jobs by 2000. This situation led the House to pass legislation offering compensation to those left jobless by the act, using the existing trade adjustment assistance (TAA) program as a model.

Other environmental issues that may cause joblessness include planned timber-cutting limitations to protect the northern spotted owl, which could result in over 19,000 jobs lost by 2000 in the Pacific Northwest. Also, logging might be curtailed in the Southeastern States to protect the red-cockaded woodpecker. Pressures to change tuna fishing and shrimp trawling techniques to protect dolphins and sea turtles, respectively, may cost jobs. Such changes may generate further pressure to compensate affected workers.

The issue of defense cutbacks stems from the reduction in world tension brought about by political change in eastern Europe. It is anticipated that defense spending will decline as a result, causing job loss among the military, Federal civilian employees, and employees of private defense contractors. This situation has sparked interest in Federal compensation of workers dislocated by such a change in Government policy.

Although unemployment compensation (UC) and the Job Training Partnership Act aid dislocated workers without regard to the reason for the dislocation, the Federal Government in some cases has provided special compensation to workers dislocated by new Federal policies. TAA supplements UC for workers affected adversely by foreign trade and provides retraining. One-time programs were enacted in years past to protect the compensation of specific groups of workers, including those affected by expansion of the Redwood National Park, employees involved in rail mergers, and those affected by airline deregulation.

Should Congress choose to provide additional help to workers dislocated by new policy changes, there would be three basic choices: improve existing programs; enact a program like TAA to replace earnings partially during an adjustment period while retraining dislocated workers; or enact a guarantee of full compensation, including fringe benefits, for a longer period of time. If one of these paths were taken, questions to be resolved would include: how broad coverage should be in regard to reasons for the worker dislocations; whether or not the benefits should be treated as entitlements; and how much the Federal Government should spend on such benefits.

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CASH BENEFITS FOR WORKERS DISLOCATED BY FEDERAL POLICY INITIATIVES[1]

Congress often makes policy decisions that carry social costs. That is, actions taken to attain desirable objectives may have adverse effects on some part of American society. The resolution of several policy issues before the 101st Congress could impose costs in the form of unemployment on selected communities across the Nation. These issues include several environmental regulation matters, as well as reductions in defense spending in light of changing international relations.

The first section of this report discusses the implications for unemployment of several Federal policy initiatives now under consideration. The second section discusses current Government benefits and their limitations in the context of such worker dislocations. The next section discusses past efforts by the Federal Government to compensate those who lost jobs because of Federal policy initiatives. The report then identifies several policy options that Congress may consider should it choose to offer additional help to future dislocated workers. Finally, major program design issues are reviewed.

POTENTIAL FEDERAL POLICY ACTIONS AND THEIR IMPLICATIONS FOR EMPLOYMENT

A market economy is in a state of continual change as new products are developed and marketed, methods of production and distribution are improved, shifts occur in the relative scarcity of labor, materials, and capital, and consumer preferences change. These changes produce unemployment as some firms are affected adversely by these marketplace dynamics. Most jobless workers left unemployed by these dynamics either await recall to their old jobs or quickly find new work elsewhere.

The Federal Government, as a regulator of the marketplace, sometimes produces unintentional job loss when the act of regulation advantages some firms and disadvantages others. When the magnitude of such effects is judged to be significant, the Government has sometimes acted to compensate workers who have suffered from changes in Federal policy. Recent examples of groups for whom special benefits were enacted include workers adversely affected by foreign trade, workers involved in federally authorized rail mergers, employees

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[1]This report includes material based on text written earlier by Joe Richardson, Karen Spar, and Jim Storey of the Congressional Research Service staff.

of the federally deregulated airline industry, and workers dislocated by expansion of the Redwood National Park.

The Government is currently considering stricter regulation of economic activity in order to preserve or restore environmental quality. It is likely that pressure to strengthen environmental protection measures will increase. The question has arisen: Should unemployment caused by new environmental regulations be singled out for special Government compensation?

The Federal Government also is expected to reduce military spending substantially over the next few years and close numerous military bases. These changes in budget priorities and defense policies will cause unemployment among military, Federal civilian, and private-sector workers. Viewed nationally, such changes are likely to be modest, but particular communities and individuals may be hard hit economically.

Unemployment caused by such Federal policy initiatives are often concentrated in specific industries and/or regions because these initiatives usually emerge in response to specific economic or Government activities. Sometimes, the viability of a community or segments of an industry may be threatened. Several examples of pending policy initiatives are discussed below.

Clean Air Act Amendments

Amendments to the Clean Air Act pending before the 101st Congress (H.R. 3030) would impose controls to reduce the use of coal with high sulphur content and thereby diminish the acid rain problem. Studies of the likely effects of such controls indicate that a part of the coal mining industry would be severely affected since the demand for high-sulphur coal would decline. Other industries that use this coal also would be affected to the extent that they would need to modify their production processes. The Environmental Protection Agency (EPA) estimates that this legislation could cause loss of as many as 5,000 mining jobs by 1995 and 16,000 by 2000. There are 330,000 workers in mining industries. Thus, this impact would be substantial for the industry in the geographic areas where the affected mines are concentrated. Total jobs lost in all industries could reach 50,000, a relatively small number compared to the total U.S. civilian employment of 118 million, but these losses would be concentrated in areas with coal mines and plants using high-sulphur coal.

Senator Byrd of West Virginia proposed a compensation program for workers who would become unemployed as a result of the legislation. His amendment was defeated by one vote on March 29, 1990. Congressman Wise of West Virginia offered an amendment in the House to establish a benefit plan for workers who would lose their jobs because of the Clean Air Act amendments, and his proposal was passed by the House as an amendment to H.R. 3030 on May 23, 1990. This new program would closely resemble the current trade adjustment assistance (TAA) program for workers adversely affected by foreign trade, except that the proposed Clean Air Employment

Transition Assistance would be authorized with a ceiling on allowable Federal spending for cash benefits. As of July 1990, this measure awaited consideration by a House-Senate conference committee.

Old Growth Forests and the Northern Spotted Owl[2]

Wildlife and ecosystem preservation is the objective behind other current environmental efforts that threaten employment. In Washington, Oregon, and northern California, Federal plans to protect old growth forests and preserve an adequate habitat for the northern spotted owl would endanger jobs in the timber industry. An overwhelming impact on small communities in the affected areas would create secondary unemployment as well among retail trade and service workers.

A recent analysis by the U.S. Forest Service[3] estimates that 19,162 jobs would be lost by 2000 if the conservation strategy recommended by the Interagency Scientific Committee were carried out. While about half of the lost employment could be made up by increased activity on private forest lands, this offset would be short-lived and would disappear by 2000. About two-thirds of job losses would occur in Oregon, where the economic impact would be greatest. Unemployment of this magnitude would raise that State's total number of jobless by 19 percent and raise the State's unemployment rate from 4.9 to 5.9 percent. Since the spotted owl has been listed as threatened under the Endangered Species Act, further restrictions on economic activity might be triggered, with additional jobs lost as a result.

Other Environmental Initiatives

Concern over the dwindling habitat of the red-cockaded woodpecker could lead to restrictions on logging in forests ranging from Virginia to Texas and could affect employment in 13 States. Court action already has led to a temporary ban on clear-cutting in more than one million acres of national forest in eight of these States.

Given the concern about unemployment that the Clean Air Act and wildlife preservation measures have stimulated, and the likelihood that other environmental impacts on employment can be anticipated in the future,

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[2]Additional information on this issue may be found in: U.S. Library of Congress. Congressional Research Service. *Economic Impacts of Protecting the Northern Spotted Owl*. CRS Report for Congress 90-74 ENR, by Ross W. Gorte. Washington, 1989. 48 p.; *Spotted Owls, Old Growth Forests, and the Timber Industry*. CRS Issue Brief IB90094, by M. Lynne Corn. Washington, 1990 (continually updated). 14 p.

[3]U.S. Dept. of Agriculture. Forest Service; U.S. Dept. of the Interior. Bureau of Land Management. *Economic Effects of Implementing a Conservation Strategy for the Northern Spotted Owl*. Washington, 1990. 65 p.

Congress probably will face further efforts to compensate workers dislocated by environmental policies. For example, concern has been raised about employment related to tuna fishing and shrimping because of pressure to change netting techniques to avoid the accidental destruction of dolphins and sea turtles.

Defense Spending Cuts

A Federal commission has recommended closure of 86 military bases, partial closure of 5, and realignment of another 54. Further reductions in defense spending are anticipated from a shifting of Federal budget priorities in light of lessened international tension in Europe. These changes are likely to have adverse short-term impacts on the communities involved, although long-term economic benefits might be expected where abandoned bases and plants could be converted to other uses.[4]

At this writing, there are no estimates of job losses such policy shifts might cause, but one Defense Department study did analyze the implications of a hypothetical 10-percent cut in defense employment.[5] It found that an across-the-board cut would have its greatest effects in the States of California, Texas, New York, Massachusetts, and Virginia.[6]

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[4]The Department of Defense has programs to assist communities and Federal employees affected by cutbacks. For a description, see U.S. Library of Congress. Congressional Research Service. *Economic Adjustment Assistance to Communities and Workers Affected by Defense Cutbacks*. CRS Report for Congress 90-126 E, by Edward Knight. Washington, 1990. 43 p.

[5]U.S. Dept. of Defense. Office of Economic Adjustment. *Potential Defense Work Force Dislocations and U.S. Defense Budget Cuts: An Illustration*. Staff Paper, by Joseph V. Cartwright. Washington, Mar. 1990. 14 p.

[6]For further discussion, see: U.S. Library of Congress. Congressional Research Service. *Defense Spending Cuts and Employment Adjustments*. CRS Report for Congress 90-55 E, by Linda Levine. Washington, Feb. 16, 1990 (revised). 17 p.; *Defense Budget Cuts and the Economy*. CRS Issue Brief IB90012, by Edward Knight, Linda Levine, Brian Cashell, and Mark Jickling. Washington, 1990 (continually updated). 16 p.; *Military Base Closures*. CRS Issue Brief IB89026, by Andrew Mayer. Washington, 1990 (continually updated). 16 p.

CURRENT PROGRAMS AND THEIR LIMITATIONS

The Federal Government has a mechanism for replacing some of the income lost by jobless workers: the Federal-State unemployment compensation (UC) system. The UC system has seen little structural change in the 55 years since its origin in the Social Security Act. However, it has been supplemented since the 1960s by major Federal programs that offer job training to the long-term unemployed. Currently, Title III of the Job Training Partnership Act (JTPA) is the primary vehicle for such efforts. For the unemployed who meet tests for low income and limited assets, a variety of other income assistance and training programs are also available. This section describes these programs and their potential for helping workers who might lose jobs because of changes in Federal policy. Selected information on these programs is shown in table 1.

TABLE 1. Existing Programs Offering Income Support to Dislocated Workers, FY 1989

Program	Eligibility criteria	Source of funding	Administering agency	Avg. no. of beneficiaries	Benefit costs
				(millions)	($billions)
AFDC	need/family type	Federal/State	State welfare	10.9	17.2
Food stamps	need	Federal	State welfare	20.2	13.8
General assistance	need	State/local	State/local welfare	NA	NA
JTPA, Title III	work status	Federal	State/local agency	0.2	0.3
Medicaid	need/family type	Federal/State	State health	24.1[a]	61.3
TAA	work status	Federal	SESA*	0.02	0.2
UC	work status	Federal	SESA*	2.2	13.5

[a]Total number of beneficiaries during the year.

*State employment security agency.

Source: U.S. Congress. House. Committee on Ways and Means. *Overview of Entitlement Programs, 1990 Green Book: Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*. Committee Print, 101st Cong., 2d Sess., WMCP 101-29. Washington, U.S. Govt. Print. Off., 1990.

Unemployment Compensation (UC)[7]

The UC system's purpose is to provide partial wage replacement for workers with substantial recent work experience who lose their jobs for economic reasons. This aid is provided temporarily while the jobless worker seeks other employment. It gives the worker enough time in most circumstances to find work at the appropriate skill level, and it keeps a trained work force available for recall by the employer when layoffs are temporary.

Program Structure

Jobs covered by UC are specified in Federal law, but States set most of the rules that determine benefit amounts and duration. Up to 26 weeks of benefits are typically available. Federal law authorizes an extended benefit (EB) program of 13 additional weeks of benefits in States with insured unemployment rates above certain statutory levels. To qualify for benefits, a worker must meet the State's minimum requirement for previous work in a covered job and, in general, must have left the job involuntarily due to a layoff or job termination for business reasons. Benefit amounts are set as a percent of covered wages by the State, but dollar maximums are applied to benefit amounts. Some States provide additional benefits to unemployed workers with dependents.

A payroll tax is assessed on employers by each State to pay for benefits. A Federal unemployment tax of 0.8 percent of the first $7,000 of each covered employee's pay is also assessed on employers. The Federal tax is used to pay for program administration and half the cost of EB and to loan funds to States whose program accounts become insolvent.

Limitations of UC for Dislocated Workers

The UC system has several important limitations. First, EB is seldom triggered under current law because the statewide unemployment rates that must be reached are relatively high. For example, although West Virginia's total unemployment rate was over 8 percent at the end of 1989, the State's insured rate[8] was only 3.2 percent, well below the 6-percent unconditional

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[7]For more detail, see U.S. Library of Congress. Congressional Research Service. *How the Unemployment Compensation System Works*. CRS Report for Congress 89-326 EPW, by Celinda M. Franco. Washington, 1989.

[8]A State's total unemployment rate is the total number of unemployed divided by the total civilian labor force. The insured unemployment rate is the number of unemployed claiming UC benefits divided by the total civilian labor force. The insured rate is much lower than the total rate in most States because the majority of unemployed workers do not receive UC.

trigger for EB.[9] Furthermore, EB is unavailable for depressed regions within States unless the State's overall unemployment rate is also high. Thus, rural areas with high unemployment, such as the timbering areas of Oregon and Washington that would be affected by restrictions to protect old growth forests and the spotted owl, will not benefit from EB unless the economy also declines significantly in the populous parts of these States.

The House Ways and Means Subcommittee on Human Resources has approved legislation--H.R. 3896--which would relax the statewide EB trigger requirements and allow Governors to declare substate areas eligible for EB without regard to statewide eligibility. As of July 1, 1990, the full Committee had not acted on this measure.

Another limitation of UC is the benefit level. Most State benefit formulas are designed to replace one-half of the before-tax weekly wage. However, all States have caps on amounts an individual can receive, which result in lower wage replacement for many workers. These caps range from $96 a week in Indiana to $293 a week in the District of Columbia for a worker with no dependents. The benefit level in Indiana would replace half the wage of a full-time worker only for those earning less than $4.80 an hour. (The average hourly wage in May 1990 for U.S. private nonagricultural production and nonsupervisory employment was $9.99.)

Fourteen State UC programs (including Indiana's) supplement the basic benefit with dependents' allowances for jobless workers with dependents. However, none of the States affected by the old growth/spotted owl issue offers dependents' allowances, nor do those that might be affected by restrictions related to the red-cockaded woodpecker. One State heavily affected by acid rain controls--West Virginia--also does not provide dependents' benefits.

A further limitation is that UC does not cover all employed persons. Self-employment is not covered (except on a voluntary basis in California). Those who have newly entered or recently reentered the work force are not covered until a minimum work history has been established. For example, Oregon requires covered employment of at least 18 weeks and covered earnings of at least $1,000 over the prior year.

Unemployment compensation is administered by State employment security agencies (SESAs). These agencies provide employment counseling services, job information, and job referral, but they do not offer relocation assistance or job training.

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[9]EB can also be triggered when the insured unemployment rate exceeds 5 percent if the average quarterly unemployment rate is at least 120 percent of the average rate for the same quarter in the prior 2 years. Thirteen States have chosen to use only this trigger for EB. As of July 1, 1990, EB was not in operation in any State.

Job Training Partnership Act (JTPA)[10]

Training and related services for dislocated workers are authorized by Title III of JTPA. Title III was enacted in 1982, and the first appropriations were provided in FY 1983. The title was completely rewritten in 1988 under the Omnibus Trade and Competitiveness Act (P.L. 100-418). These amendments, referred to as the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), took effect July 1, 1989.

Eligibility

The Title III statute does not target services or give priority to any specific group of dislocated workers. Rather, the definition is broad, with discretion provided to States and localities to determine which dislocated workers have the greatest need. The law defines eligible dislocated workers as individuals who:

- have been terminated or laid off or who have received a notice of termination or layoff from employment, are eligible for or have exhausted their entitlement to UC, and are unlikely to return to their previous industry or occupation;
- have been terminated or have received a notice of termination of employment, as a result of any permanent closure of, or any substantial layoff at, a plant, facility, or enterprise;
- are long-term unemployed and have limited opportunities for employment or reemployment in the same or similar occupation in the area in which such individuals reside, including older individuals who may have substantial barriers to employment by reason of age; or
- were self-employed (including farmers and ranchers) and are unemployed as a result of general economic conditions in the community in which they reside or because of natural disasters.

In addition, displaced homemakers (homemakers forced to seek work because of the loss of a working spouse) may be served at State option under Title III so long as funds are available to serve all eligible dislocated workers.

Program Structure

Title III operates at the Federal, State, and local levels. The Secretary of Labor reserves 20 percent of appropriated funds for national purposes. The

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[10]For more detail, see U.S. Library of Congress. Congressional Research Service. *Training for Dislocated Workers Under the Job Training Partnership Act*. CRS Report for Congress 89-44 EPW, by Karen Spar. Washington, 1989.

remaining 80 percent is allocated among States according to a three-part formula:

- one-third according to the relative number of unemployed individuals in the State, as compared with all States;
- one-third according to the relative number of unemployed individuals in excess of 4.5 percent of the labor force; and
- one-third according to the relative number of individuals unemployed at least 15 weeks.

Governors are required to establish or designate a State dislocated worker unit and may keep up to 40 percent of State allotments at the State level. Reserved funds can be used for:

- State administrative costs;
- statewide, regional, or industrywide projects;
- rapid response activities (described below);
- establishing coordination procedures between UC and the dislocated workers program; and
- additional assistance to substate areas experiencing substantial increases in the number of dislocated workers.

In addition, Governors may reserve another 10 percent of the State allotment for distribution throughout the year to local areas with unforeseen needs.

At the local level, the Governor designates substate areas, each of which is served by a substate grantee. These grantees receive funds from the Governor (at least 50 percent of State allotments must be passed through to substate grantees) and develop a local plan for operating the program. The designation of substate grantees and the development of local plans are done in conjunction with local private industry councils (PICs) and elected officials. Local plans must be approved by the Governor.

Eligible Services

Three major categories of services are authorized by Title III: rapid response activities; basic readjustment services; and retraining services. *Rapid response activities* are provided through specialists in the State dislocated worker unit, who make immediate contact (preferably within 48 hours) with employers and employee organizations after learning of an existing or planned mass layoff. In addition to providing information about existing programs and emergency assistance when necessary, rapid response teams attempt to

establish labor-management committees at the work site to develop strategies to deal with the employment and training needs of affected workers.

Rapid response services also include: provision of information on economic dislocations and resources for dislocated workers within the State; prevention of layoffs and dislocations by working with economic development agencies; information dissemination on the services of the dislocated worker unit; and aid to local communities to develop a response to dislocations and to gain access to State economic development assistance. Legislation enacted in 1988 requiring advance notice by employers of plant closings (P.L. 100-379) calls for deployment of JTPA's rapid response services to help ameliorate the effects of such closings.

Basic readjustment services include a wide range of activities, such as development of individual readjustment plans for eligible workers, outreach and intake, early readjustment assistance, job or career counseling, testing, orientation, assessment, determination of occupational skills, provision of "world-of-work" and occupational information, job placement assistance, labor market information, job clubs, job search, job development, supportive services, pre-layoff assistance, relocation assistance, and early intervention programs conducted in cooperation with employers or labor organizations in the event of a facility closing.

At least 50 percent of funds received in a substate area must be used for *retraining services*. These include classroom training, occupational skill training, on-job-training, long-distance job search, relocation, basic and remedial education, literacy training and English-as-a-second-language, entrepreneurial training, and other appropriate activities related to actual job opportunities in the local area. In certain cases, a local area may receive a waiver from the 50-percent requirement, but in no case may less than 30 percent of funds in a substate area be spent for retraining services.

If appropriate, a substate grantee may issue a "certificate of continuing eligibility" to a dislocated worker rather than provide services immediately after the worker applies for assistance. The worker remains eligible for services for up to 104 weeks and may use the certificate to arrange his/her own retraining services, subject to approval of the substate grantee and the availability of funds.

Income Support

Substate grantees may provide cash assistance to eligible dislocated workers under certain conditions. These payments, known as needs-related payments, may be provided to eligible workers who either do not qualify for UC or have exhausted their benefits and need income support while participating in education or training. However, to be eligible for these payments, workers who have exhausted UC must have enrolled in training by the end of the 13th week of their benefit receipt, or by the end of the 8th

week after a worker is informed that a short-term layoff will actually exceed 6 months.

Needs-related payments may not exceed the higher of an individual's UC benefit or the poverty level as defined by the Office of Management and Budget (OMB).[11] No more than 25 percent of funds expended by a substate grantee may be used for needs-related payments and other types of supportive services, such as transportation assistance, child care, or counseling.

Federal Activities

The Secretary of Labor reserves 20 percent of all funds appropriated for Title III for Federal activities and discretionary use. These funds can be used for all forms of rapid response services, basic readjustment services, and retraining in cases of mass layoffs (including those caused by Federal action), industrywide projects, multistate projects, special projects with Indian tribes, special projects to address regional or national concerns, and additional financial assistance to States and substate grantees. Federal discretionary money can be used for emergencies in a particularly distressed industry or region.

Up to 5 percent of the Secretary's discretionary funds can be used for staff training and technical assistance, and at least 10 percent must be used for specified demonstration projects. Other Federal activities spelled out in the law include funding exemplary and demonstration programs on plant closings and worker dislocations, monitoring performance and expenditures, conducting research, and serving as a national clearinghouse on plant closings and worker dislocations.

Funding

When JTPA was enacted in 1982, Title III was permanently authorized at "such sums as may be necessary." The 1988 amendments authorized $980 million for FY 1989 and "such sums as may be necessary" in subsequent years. The appropriations committees of Congress do not treat Title III as an "entitlement." The program's funding history is shown in table 2.

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[11]For 1990, the poverty income guideline is $10,560 for a family of three, $12,700 for a family of four (higher in Alaska and Hawaii).

TABLE 2. Appropriations History for JTPA Title III
($ in millions)

Fiscal year	JTPA Title III appropriation
1983	$110.0
1984	223.0
1985	222.5
1986	95.7
1987	200.0
1988	287.2
1989	283.8
1990	463.6
1991 (President's request)	400.0

The President's 1991 request would fund an estimated 252,000 new enrollees, or 9 percent fewer than were funded for 1990. Average enrollment through the year would fall to 112,000 in 1991 from 121,000 in 1990 based on the President's request.

Title III and Worker Dislocations Initiated by Federal Policy

Title III is intended to respond in some way to *all* forms of worker dislocations, including those affecting entire regions, industries, or occupational groups, regardless of the cause of dislocations or whether they are anticipated in advance. Thus, it could be used to help workers who lose jobs because of new Federal policies. However, the ability of Title III to respond to large-scale dislocations depends on its appropriation level. Moreover, Title III is not a job-creation program; therefore, its ability to serve dislocated workers *successfully* is related to the overall economic health of the area in which it operates. Studies estimate that 76 percent of trainees are placed in jobs, but how many of these "successes" would have found work as quickly without training is unknown. Finally, Title III has very little funding for cash stipends to help trainees.

The law contains various provisions designed to make Title III responsive to large-scale dislocations. Considerable flexibility exists to allow funds to be directed to a specific area or industry within a State. As described above, Governors may reserve up to 40 percent of the State allotment for statewide activities, including statewide, regional, or industrywide projects and extra assistance to areas where dislocated worker populations have increased substantially. Up to another 10 percent may be used by Governors specifically for substate areas in need.

State allotments are made according to a formula based on official counts of unemployment. As a result, State allotments do not reflect large-scale dislocations that occur in a given year. However, the law allows the Secretary to reallocate funds from under-spending States to States spending at a faster level. Specifically, 20 percent of a State's allocation from the preceding year, plus any unspent funds from prior years, may be reallocated. States that spent at least 80 percent of their allotment in the preceding year are eligible to receive reallocated funds, with priority going to eligible States with above-average unemployment rates.

In addition, as described earlier, funds reserved by the Secretary are available and intended to be used in cases of mass layoffs when otherwise available funds are inadequate. Mass layoffs caused by Federal action are specifically mentioned in the law as intended uses of the Secretary's discretionary funds.

In recent years, the Secretary of Labor has provided more than $10 million to States affected by Hurricane Hugo, reserved $5 million for migrants and seasonal farm workers affected by drought, and made funds available to California to assist workers dislocated by the 1989 Loma Prieta earthquake. In June 1989, the Secretary of Labor announced that funds would be reserved for workers in the high-sulphur coal mining industry who are adversely affected by Government actions designed to reduce acid rain. In 1985, the Secretary reserved $10 million for workers dislocated from the steel industry, and, in 1988, $2 million was awarded to Washington for workers dislocated by the Hanford Nuclear Reactor closing. In 1986, Oregon received $2 million from the Secretary's discretionary account, and, in 1989, Oregon received $1 million, specifically for dislocated forestry and wood product workers.

As stated above, Title III is intended to respond flexibly to all forms of dislocations, including the type of large-scale regional dislocations anticipated in the mining and timber industries. However, Title III suffers from two major limitations:

- There is no assurance that adequate funds will be available to meet a specific need at a particular time; and

- Cash benefits from JTPA for persons in training are quite limited.

It should be noted that Title III is only one of several components of JTPA. The single largest is Title II-A, which provides employment and training services for economically disadvantaged adults and youth. This program is funded at $1.745 billion and is expected to serve approximately 850,000 new enrollees in FY 1990. Dislocated workers who meet the eligibility criteria of Title II-A (household income at or below the poverty line) could also be served through this larger program.

Assistance Related to Financial Need[12]

A number of programs provide need-based support that would be available to some dislocated workers: the aid to families with dependent children (AFDC), food stamp, and medicaid programs, and State and local general assistance programs.

Aid to Families with Dependent Children (AFDC)

The AFDC program is limited to needy families with children. Each State provides monthly cash assistance to low-income families with children, primarily to families where one parent is absent, deceased, or disabled. In addition, 29 jurisdictions offer AFDC benefits to two-parent families where the primary earner is unemployed (AFDC-UP); for this purpose, unemployment is defined as working fewer than 100 hours a month. Beginning in FY 1991, States not now operating an AFDC-UP program will be required to cover needy unemployed-parent families for at least 6 months a year.

States define need, set benefit levels, and establish income and asset limits for eligibility within Federal guidelines. For a three-person family, the median State's monthly earnings limit for continued eligibility is $516 after 4 months on a job ($486 after 12 months) plus child care costs. The median State's maximum monthly AFDC grant for a three-person family is $364. Nationally, AFDC benefits averaged $381 per family (2.9 persons) in September 1989. Allowable assets are generally limited to no more than $1,000 per family, excluding the family's home, household belongings, and $1,500 of the equity in one motor vehicle. The cost of AFDC is shared by the States, the Federal Government, and, in some cases, local governments; the Federal share varies by State and averages about 55 percent.

Food Stamps

The food stamp program provides monthly food coupon allotments to low-income households that meet federally established income and asset tests. The current income limit (130 percent of the Federal poverty guidelines, indexed for inflation each year) is about $1,100 a month for a three-person household. Maximum monthly benefits (also indexed for inflation) are $260 for a three-person household; monthly benefits now average nearly $60 a person. Allowable liquid assets are typically limited to $2,000 per household, excluding the home, household belongings, and $4,500 of the fair market value of one motor vehicle. Food stamp costs are met mostly from Federal funds, which cover benefit expenses and a little over half of administrative costs.

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[12]For more detail on need-based assistance, see U.S. Library of Congress. Congressional Research Service. *Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1986-88*. CRS Report for Congress 89-595 EPW, compiled by Vee Burke. Washington, 1989.

Medicaid

Assistance under the Federal/State medicaid program is primarily controlled by the States, and medicaid benefits are limited to low-income families with children and to the needy who are elderly, blind, or disabled. Generally, eligibility for medicaid is linked to actual or potential receipt of AFDC or supplemental security income (SSI), the cash assistance program for the aged, blind, and disabled. AFDC and most SSI recipients are automatically eligible for medicaid. States also must cover pregnant women, and children up to age 6, in families with incomes up to 133 percent of the Federal poverty income guideline, even if they are categorically ineligible for AFDC. States have the option of extending coverage to additional low-income target groups. For example, a State may extend coverage to two-parent poor families with an unemployed parent, even though it does not offer AFDC-UP assistance. (Effective October 1, 1990, such a State must give medicaid and AFDC-UP to these families, but the cash aid need not be year-round.) In addition, States may cover "medically needy" persons, those who fit the categories of persons intended to be served by the medicaid program but who have income or assets that preclude cash welfare eligibility. Income standards of eligibility for the medically needy cannot exceed 133-1/3 percent of the maximum AFDC benefit for the same size family. The cost of most medical services for medicaid enrollees is fully paid by the program, although recipient payments are required in some cases. The range of covered services and how they are provided varies among the States. As with the AFDC program, medicaid costs are shared by the Federal Government and the States, with the Federal share ranging from 50 to 80 percent.

General Assistance

In addition to the federally supported welfare programs, most States and localities operate general assistance programs with their own funds. These programs provide limited cash and in-kind benefits to needy persons and are intended to fill in the "gaps" left by Federal/State cash welfare programs (e.g., single nonelderly poor persons, needy nonelderly couples without children). General assistance programs usually do not have categorical eligibility restrictions with respect to family composition, age, or disability. However, they provide very limited aid, and their standards and availability vary widely among States and localities.

Employment and Training Activities

The AFDC and food stamp programs provide funding for States to operate programs to assist welfare applicants and recipients to secure employment. However, these programs are limited in scope and funding and are not intended to deal with dislocated workers. In addition, both efforts are relatively new, and there has been little experience with their operations. The AFDC program's current work and training initiative, the Job Opportunities and Basic Skills (JOBS) program, got underway in some States in mid-1989; but, as of June 1, 1990, 22 States had not started JOBS. (All States must do

so by October 1, 1990.) The food stamp program's employment and training component was implemented in mid-1988.

Established under Title IV of the Social Security Act, JOBS provides Federal funding, to be matched by State money, for employment training and support services for AFDC applicants and recipients. Each State is required to establish a JOBS program to assure that needy families with children obtain education, training, and employment that will help them avoid long-term welfare dependence.

These programs are to be coordinated with other employment and training efforts, such as those under JTPA, and the administering State welfare agencies are allowed to operate JOBS programs directly or through arrangements with JTPA administrative entities, education agencies, and other public or private organizations. Welfare agencies must use the services of local JTPA programs to identify and provide advice on the types of jobs available or likely to become available.

Most adult AFDC applicants and recipients are "eligible" for JOBS training and supportive services; i.e., in order to maintain AFDC eligibility, they must participate in a JOBS activity if the welfare agency requires it. Exempted from requirements to participate are: ill or incapacitated persons, most children and those of "advanced" age, many parents and caretakers of very young children, persons whose presence in the home is required because of the illness or incapacity of another household member, persons working 30 hours a week or more, pregnant women in their second or third trimester, and those living in areas where a JOBS program is not available.

State welfare agencies need not, and do not, require all AFDC applicants and recipients to participate in a JOBS activity. In effect, services are provided to the extent funding allows. However, to obtain Federal funds at favorable matching rates, States must meet a monthly participation rate of 7 percent of those not exempt in FY 1990, rising to 20 percent in FY 1995, and must require that at least one parent in 40 percent of two-parent AFDC families participate in a work activity (75 percent by FY 1997).

Certain "target" groups are given priority under the JOBS program: long-term AFDC recipients, parents under age 24 who have not completed high school or have little or no work experience, and members of families about to lose eligibility for AFDC because of the age of the youngest child. In order for a State to receive the maximum Federal matching funds for the JOBS program, at least 55 percent of its JOBS expenditures must be made on behalf of persons in these target groups.

State JOBS programs are required to have the following components: (1) education activities, including high school or the equivalent, basic and remedial education to achieve literacy, and education for those with limited English proficiency; (2) job skills training; (3) job readiness activities; and (4) job development and placement efforts. In addition, States must include at

least two of the following "optional" activities in their JOBS program: group and individual job search, on-job training, "work supplementation" programs (where jobs are subsidized with AFDC benefits), and "work experience" programs (where recipients "work off" the value of their benefits). Further, States may offer postsecondary education in "appropriate" cases, and other federally approved activities. In addition to employment training components, State JOBS programs must provide participants with necessary support services, primarily child care and transportation, and "transitional" child care and medical assistance are required for those losing eligibility for AFDC because of employment.

State JOBS programs are financed with a combination of Federal and State funds. Each State is entitled to a share of a basic Federal JOBS grant of approximately $100 million, payable if it matches the grant with a 10-percent State contribution. For costs beyond those covered by this basic JOBS grant, the Federal Government matches State funds at rates ranging from 60 to 80 percent (depending on the State and the type of expenditure being matched). The total Federal contribution under the JOBS program is authorized at $800 million for FY 1990, rising to $1.3 billion in FY 1995. Child care costs for JOBS participants (and other AFDC working parents) are paid with Federal matching funds at rates ranging from 50 to 80 percent without regard to these ceilings.

The Food Stamp Act requires that all States have an employment and training program to help food stamp recipients secure employment. A combination of Federal and State money finances the training and support services provided by the programs. As with the JOBS program, food stamp employment and training programs are to be coordinated with other training efforts such as those under JTPA and may be, and often are, operated through nonwelfare entities.

In order to maintain food stamp eligibility, nonexempt adult recipients must participate in an employment and training program if required to do so by the State. However, most recipients (well over 90 percent) are exempt: children, the disabled, and the elderly, those working at least 30 hours a week, persons caring for young children or incapacitated household members, AFDC and UC recipients, students, and those individuals and groups for whom the State obtains a Federal "waiver" because participation is judged "impracticable" or not "cost-effective."

Once the pool of food stamp recipients who will be required to participate in an employment and training program is identified, State welfare agencies must place at least half of them in one or more employment and training program components. These components can include any or all of the following activities: supervised job search or training for job search, a "workfare" program in which recipients "work off" the value of their benefit in public service employment, work experience or training programs, education programs to improve basic skills, or any other federally approved employment or training activity.

As in JOBS programs, food stamp employment and training initiatives must provide participants with necessary support services; child care and transportation are the most prevalent.

Food stamp employment and training programs are funded with both Federal and State money. States receive a formula share of an annual Federal grant of $75 million, used to pay for basic operating costs (but not support services). Costs above the State grant, for operating/administrative costs and support services, are financed with equal Federal and State shares.

Limitations of Need-Based Programs

The usefulness of welfare programs and their work/training components in the case of dislocated workers is severely limited by problems of access, adequacy, targeting, and funding.

To gain access to the support and training provided by welfare programs, applicants must pass relatively strict needs tests and, in the case of AFDC, categorical rules that confine access to families with children. In the short term, the income and asset eligibility standards pose the greatest barriers; for example, a dislocated worker with a typical UC benefit and a 2-year-old car would probably not qualify for cash welfare, food stamps, or medicaid, even if the worker could meet the "less-than-100-hour" test of employment for AFDC-UP eligibility. This exclusion would deny the worker both income support and training benefits. More importantly, welfare programs' asset limitations substantially restrict access for dislocated workers over both the short and long terms.

Once access to welfare programs is gained, the adequacy of benefits is limited. Combined maximum cash and food stamp benefits in the "median" State (ranked by AFDC benefit generosity) are now about 70 percent of the Federal poverty level for a three-person family. When compared to UC or TAA benefits, welfare support also falls short. Medicaid is limited to services covered by a State's program, and access to high-quality care may be limited in some areas.

Even if access were achieved and benefit adequacy were not a concern, the targeting of welfare programs' work/training efforts is such that they are likely to be of little use to dislocated workers. Under AFDC's JOBS program, priority service is encouraged for long-term recipients, not those likely to enter the AFDC rolls because of a policy-related dislocation. The food stamp program's employment and training component would classify areas as "impractical" or not "cost-effective" for work/training efforts where employment dislocations have reduced job availability, and its work/training initiatives operate to serve those most easily placed in the local economy in order to move them off the welfare rolls.

Finally, the funding available for welfare work/training activities has been insufficient to serve all potential eligibles. In FY 1990, a total of about $600

million in Federal money is expected to be available to serve nearly 2 million participants, leaving at least another 2 million recipients unserved by the AFDC and food stamp work/training programs. However, the President has requested that this funding be more than doubled, to $1.4 billion, for FY 1991.

POSSIBLE OPTIONS: REVISE CURRENT PROGRAMS OR ESTABLISH A NEW PROGRAM

Those who lose their jobs because of Federal policy initiatives may be able to rely on existing benefit and training programs for assistance in recovering from their economic loss. However, except for JTPA Title III, none of the existing programs was designed to deal specifically with the problems of dislocated workers, and each has shortcomings that would limit the extent to which needed assistance could be provided.

The UC system was designed for cyclical unemployment. Thus, the typical benefit period of 26 weeks may not be long enough to cover the period of job search and/or retraining often needed by dislocated workers. A 13-week extension of UC benefits can be triggered, but only on a statewide basis, and the unemployment conditions required to trigger an extension have seldom been met in recent years. Also, State benefit maximums constrain the extent to which UC replaces lost wages for large proportions of covered workers. UC benefit levels are set by States and vary significantly among them. While nearly all wage and salary jobs are covered by UC, workers who have recently joined or reentered the work force are not covered, nor are those who are self-employed.

Title III of JTPA directs its resources to training programs specifically for dislocated workers, and there is flexibility at both the Federal and State levels to increase funding in areas with unexpectedly high demand for training. However, JTPA funding levels are subject to annual appropriations, and funds are distributed in part by formula. Thus, there is no guarantee that JTPA funds will be made available in the amount and at the location needed when a sudden rise in unemployment occurs. Also, there is very little money available from JTPA for cash payments to persons in training programs, so those who need income support while being retrained must rely on the availability of other need-based aid or UC.

Assistance based on need is of limited use to most dislocated workers for three reasons. First, aid is predicated on an applicant's being able to satisfy tests of family income and assets. Many dislocated workers will fail to satisfy one or both tests at the time that unemployment occurs and, thus, will qualify for this type of aid only after some period of impoverishment has been experienced. Second, except for food stamps, Federal aid is allowed only for specific categories of needy individuals and families. Those who do not fall within an eligible category receive no help. General assistance programs, which receive no Federal funds, are often available without categorical distinctions, but funding is extremely limited in most places. Third, cash

benefit levels are low in most States and do not assure recipients a level of living above the official poverty standard.

Policymakers concerned with economic losses of workers dislocated by Federal policies may consider whether to rely on the existing network of programs and seek their improvement or design a new approach to the problem. Either strategy would require substantive legislation.

Achieving significant changes in UC, JTPA, and programs to aid the needy would be difficult and time-consuming. These programs have a long history of efforts at major revisions, and the compromises reached in the past may be resistant to further change. Moreover, the objectives held out for these programs by some have not been achieved. In UC, extended benefit programs have ranged widely in generosity over the years as economic conditions and political considerations have shifted. Proposals to apply Federal standards for State UC benefit rules have never been enacted. Although Congress established a federally funded income floor for the aged, blind, and disabled under SSI, it has refused to do so for needy families; nor has it extended Federal cash aid to the able-bodied poor without children. The JTPA program, which was rewritten in 1988, represents a recent compromise among numerous interests. The program has resisted pressure to provide special treatment to particular groups of workers.

In summary, significant changes are usually slow in coming for these programs. The size of anticipated dislocation problems, while potentially significant, may or may not be large enough nationally to improve the chance for success in making major changes in UC, JTPA, or aid to the needy. This history could be bypassed through a legislative strategy to pursue a new program for workers who lose their jobs because of Federal policies. The next section describes such programs that Congress has enacted in the recent past for particular groups of workers.

PROGRAMS ENACTED TO COMPENSATE FOR UNEMPLOYMENT CAUSED BY FEDERAL POLICIES

Over the past three decades the Federal Government has acted several times to compensate for unemployment caused by specific Federal policy initiatives. TAA is an ongoing program to assist workers affected adversely by foreign trade. The other programs described below are one-time programs to continue the compensation of workers who lost jobs because of expansion of the Redwood National Park, railway reorganization, and airline deregulation.

Trade Adjustment Assistance (TAA)[13]

When workers are threatened with job loss due to foreign trade, they may apply to the U.S. Department of Labor (DoL) for TAA. If the group of petitioning workers is found eligible by DoL, the individual workers must then be certified for benefit eligibility by the SESA based on individual work records. The claimant must have been employed at least half the year preceding the layoff and must have earned at least $30 per week.

The TAA cash benefits, which are calculated in the same manner as UC benefits, are paid for up to 26 weeks after UC benefits are exhausted. Eligible individuals are required to enter a training program unless available training is deemed unsuitable by DoL. Cash benefits may be received during participation in a training course, with a possible extension for another 26 weeks if the training lasts that long. Thus, a worker could receive cash benefits for 78 weeks (26 weeks from UC and 52 weeks from TAA).

Since TAA is offered after UC is exhausted, TAA eligibles are not restricted to the 26-week benefit limit that usually applies to jobless workers. However, TAA benefit levels are the same as under UC and, therefore, are subject to the same restrictions discussed above for UC. Coverage rules more demanding than those of UC apply, thereby screening out new work force entrants and recent reentrants to a greater extent than UC.

Funds for TAA training are treated as a capped entitlement with a statutory ceiling of $80 million in the congressional appropriations process.[14] Thus, the availability of training is constrained mainly by administrative decisions of DoL regarding suitability. Availability of cash assistance while in training is another positive aspect of TAA from the worker's viewpoint. TAA also can pay part of an eligible worker's job search costs and relocation costs.

The DoL approved 47 percent of all TAA petitions received from workers during FY 1989. For FY 1990, TAA cash benefits are estimated to be $156 million, or $5,437 per beneficiary. Training costs are estimated at $79 million, or $3,490 per training participant.

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[13]For more detail, see U.S. Library of Congress. Congressional Research Service. *Trade Adjustment Assistance: The Program for Workers*. CRS Report for Congress 89-265 EPW, by Celinda M. Franco. Washington, 1989. 19 p.

[14]This treatment results from the conference report on the Omnibus Trade and Competitiveness Act of 1988 (H.R. 3), which said conferees "intend that the payment of approved training be an entitlement, up to the statutory 'cap' levels."

Redwood Employee Protection Program (REPP)

In 1978 Congress acted to enlarge the area covered by the Redwood National Park in California. In so doing, certain compensation was approved for individuals who would lose their jobs because of this expansion. This action is the only instance in which Congress established a benefit program to compensate persons affected by a park expansion.

The Redwood Employee Protection Program (REPP) continued an affected person's wages and fringe benefits and offered retraining and employment services. Individuals had the right to accept a lump-sum payment instead of monthly benefits, but few took the lump-sum option. Monthly benefits were generally available for up to 6 years but could continue to age 65 for those reaching age 60 during the 6-year period. Beneficiaries numbered 1,735 after the first 18 months, a figure exceeding expectations by 88 percent.

Rules for program eligibility were criticized in a review conducted in 1980 by the General Accounting Office (GAO).[15] The GAO study found that eligibility was extended to workers whose job loss was not associated with park expansion but with such factors as weather conditions or seasonal business fluctuations. GAO also found that workers in some enterprises were not included, even though affected by park expansion, because of technical features of the eligibility determination. GAO described the training and employment component of REPP as "ineffective."

Benefits from REPP were generous compared to those of UC and TAA, since the aim was to replace lost compensation in full, including employer contributions for health insurance and pension coverage. The fringe benefit component of REPP was difficult for DoL to administer, since the agency had to contract with an insurance company to process medical expense claims, and assurance of pension entitlements had to be arranged. The Federal Government continues to incur costs of $0.5 million a year to pay health and pension benefits under the 1978 Redwood legislation.

Employee Protection in Railway Reorganization Legislation

Title V of the Regional Rail Reorganization Act of 1973, which reorganized several bankrupt railroads into Conrail, protected the compensation of workers adversely affected by this change. Conrail paid eligible workers the difference between their actual earnings and a guarantee level based on their pre-merger wages. Payments could be made until age 65 for workers with at least 5 years of service. Fringe benefits also were protected, and relocation allowances could be paid as well.

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[15]U.S. General Accounting Office. *Congress Should Scale Down Redwood Employee Program Benefits*. HRD-80-63, July 8, 1980. Washington, 1980. 87 p.

Conrail was reimbursed from Federal funds for its payments to eligibles. Monthly payments constituted the bulk of program expenditures, although it had originally been thought that most program spending would be for severance pay to job losers. GAO was also critical of this protection program.[16] GAO claimed that the period of benefit payments was too long relative to comparable programs and that Federal oversight was ineffective. GAO found that some employees were overcompensated because of the rules applied and that eligibility was granted to some employees who lost work for reasons other than the merger.

In response to the high payments to Conrail employees, Congress effectively reduced the monthly allowances as part of the Staggers Rail Act of 1980 by changing the computation formula contained in the 1973 act. Subsequently, the Northeast Rail Service Act of 1981 repealed Title V of the 1973 act and substituted a maximum payment of $20,000 for each worker harmed by the Conrail reorganization.[17]

Employee Protection in Airline Deregulation Legislation

Employee wage and benefit protections were included for affected airline employees as a part of the Airline Deregulation Act of 1978. It promised wage-related benefits for up to 6 years or until new employment was found. Fringe benefits were not included. DoL proposed a benefit based on a standard wage for each craft and occupation. However, the program was never implemented, as the U.S. Department of Transportation (DoT) never found deregulation to be the major cause of a dislocation.

ISSUES IN RELIEVING UNEMPLOYMENT CAUSED BY FEDERAL POLICY INITIATIVES

Without congressional action to relieve unemployment caused by new Federal policies, those who are affected must look to the existing systems of UC benefits, JTPA training, and assistance based on need. Should these programs' shortcomings move Congress to action, there are three major alternatives: (1) revise the existing programs; (2) enact a new program based on the TAA model; or (3) enact a program like REPP that guarantees continuation of all wages and fringe benefits. A new program could be established as a one-time program for persons affected by a specific policy change or as an ongoing program covering a class of policy changes, including those that might occur in the future.

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[16]U.S. General Accounting Office. *Employee Protection Provisions of the Rail Act Need Change*. CED-80-16, Dec. 5, 1979. Washington, 1979. 82 p.

[17]U.S. Library of Congress. Congressional Research Service. *Labor Protection in the Railroad Industry*. CRS Issue Brief IB87204, by Linda LeGrande. Washington, Aug. 7, 1989 (archived). p. 3.

A revision of current programs would presumably concentrate on improvements to UC and JTPA. Under UC, the most obvious improvement for dislocated workers would be to grant extended benefits more freely than permitted under current law. For instance, any qualified dislocated worker who was in an approved program of retraining might be granted a benefit extension for a given number of weeks. With Title III of JTPA, the key would be to assure the availability of training services for all qualified dislocated workers who need it through an entitlement approach to training such as is now followed for training TAA beneficiaries.

Adoption of a program modelled after TAA or REPP could follow the patterns set by those programs almost exactly. Since REPP was criticized with respect to its eligibility rules, some changes might be in order if Congress chose that path.

Regardless of the strategy taken, several design issues would have to be addressed to arrive at a legislative solution. These issues arise from the need to answer the following questions about any proposal:

- Which workers would be eligible for benefits?
- To what extent would benefits replace compensation?
- For how long would benefits be paid?
- How, and to what extent, would job training and job creation be promoted?
- How would the program be administered and financed?

Each of these issue areas is discussed below.

Eligibility

Determining the pool of eligibles may be the most difficult design issue. There are two questions to answer in shaping legislation. Which firms have been affected adversely by new Federal policies? Which workers within those firms have sufficient work experience to be granted eligibility? Tight rules for eligibility determinations would inevitably leave out some job losers who were truly affected by the policies; loose rules would admit workers who had lost jobs for reasons having nothing to do with new policies. Past programs have erred on both sides, according to available studies.

In the case of environmental policies, determining which firms have been affected might be difficult in some situations. To take the example of the old growth/spotted owl issue, protection of the old growth habitat would reduce timbering in certain areas, but those areas could have been adversely affected already by competitive factors or productivity problems that are unrelated to policy on old growth forests and the spotted owl. It could be

unwise to spell out in statutory language detailed criteria for making such eligibility judgments, but lack of statutory determination would mean that some appointed official or board would have to be given considerable discretion in applying general guidelines to the specific business situation of each applicant.

Eligibility criteria could be defined in terms of the types of Federal policy changes to be covered by the program. These could include new legislation, amendments to old legislation, new or revised regulations, and final judicial decrees. The subject matter of these policy changes could also be defined. In the environmental area, these might include improving or protecting air quality, improving or protecting water quality, preserving wild animals or plants, conserving wilderness areas and wetlands, reclaiming land, controlling toxic substances, or suspending offshore oil and gas exploration. In regard to defense spending cuts, relevant policy changes could be limited to domestic base closures, demobilization of troops based abroad, and large procurement cutbacks. Claimants would have to cite a relationship to a policy change that complies with these guidelines in regard to both type and subject matter to be considered for eligibility.

In regard to eligibility for individual workers within affected firms, the main issue is whether to use current UC or TAA rules in regard to work history or whether to include some workers who might be screened out by these rules. At the extreme, benefits could be extended to anyone employed by an affected firm on a certain date. Such a policy could leave the program open to those who could get themselves hired just before the window of eligibility closed. Other questions of individual eligibility concern treatment of seasonal employees, the applicability of income and assets tests, and coverage of the self-employed.

Benefit Level

Setting benefit levels always involves a tradeoff between providing a benefit large enough to allow for a reasonable living standard versus avoiding a level of generosity that erodes the financial incentive to seek new employment. The UC and TAA programs represent one approach, with benefits pegged to half of cash wages in most States but held to less than that for many employees by benefit caps. The one-time employee protection programs offer another approach, attempting to replace most or all lost wages and, in some cases, other benefits of employment, such as employer contributions for health insurance and pensions.

A Presidential commission on UC[18] concluded in 1980 that UC benefits should replace two-thirds of wages, a level that is more generous than UC and

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[18]National Commission on Unemployment Compensation. *Unemployment Compensation: Final Report.* Washington, July 1980. 264 p.

TAA currently but less generous than the full protection afforded by REPP and other such one-time plans.

Another consideration is how a new benefit would be related to other benefits which eligibles could receive concurrently. Such overlapping benefits might include UC, TAA, social security, and pensions. Need-based benefits would be reduced by the amount of a new benefit unless some other relationship were specified.

Benefit Duration

This issue is also one of income adequacy versus incentive to work. A duration long enough to allow an individual to make a thorough job search before deciding to relocate gives a community the stability needed to retain its economic viability during what may be only a temporary downturn. However, a benefit duration that is too long discourages some beneficiaries from serious job search until benefits are exhausted.

The UC system generally provides benefits for 26 weeks of joblessness. An extended benefit period can be triggered for another 13 weeks in States that have unemployment rates above threshold rates specified in law. TAA extends the 26-week UC duration for another 26 weeks in recognition of the fact that major layoffs often require a longer period for job opportunities to emerge in the affected area. TAA's extension is tied to participation in a training program to encourage retraining for those who can benefit from it.

The one-time protection programs (e.g., REPP) have been criticized for having too long a duration. Their design has been perceived as directed more toward the indemnification of an economic injustice than the facilitation of a transition of labor among industries and/or locations.

Job Training/Job Creation

Title III of JTPA was designed with the premise that dislocated workers should be equally eligible for employment and training services, regardless of the cause of dislocation. Thus, JTPA focuses on the *effects* of worker dislocation but not the *causes*.

To assure that JTPA is helpful to persons who lose jobs because of Federal policy might require two types of changes: earmarking funds for specific economic dislocations; and providing more cash benefits to trainees. However, the earmarking of funds for a specific purpose would prompt other interests to seek similar arrangements, thereby undermining a major strength of JTPA Title III--its ability to respond flexibly as needs change in particular labor markets. Adding cash stipends would make the program more costly and convert it into something it was not originally intended to be--an income maintenance program. Until now, JTPA has operated with the understanding that trainees in need of public income support would have to find it in the programs Congress created for that purpose.

As discussed earlier, there are precedents for singling out certain groups of workers by virtue of the cause of their dislocation (e.g., TAA for trade-affected workers, REPP for workers dislocated by the Redwood National Park expansion). In the 101st Congress, the House-passed version of the Clean Air Act (H.R. 3030) would ensure JTPA services for persons affected adversely by that law. If enacted, persons losing jobs because of the Clean Air Act amendments would be given preference for training positions in JTPA programs in situations where available funds were insufficient to cover all demands for services.

Special treatment for workers dislocated by Federal policies would raise the following issues:

- Would dislocated workers be *entitled* to retraining and employment services?
- Would participation in retraining or employment services be a prerequisite for receipt of cash benefits?
- Would dislocated workers be referred to JTPA services, or would they be enrolled in a separate program?
- How would a separate program of retraining and related services be coordinated with existing programs such as JTPA and the U.S. Employment Service, which provide labor exchange services?
- Would JTPA or other existing programs be reimbursed for costs of serving these workers?
- How would issues of equity among different groups of dislocated workers be resolved?
- Who would be responsible for determining quality and appropriateness of training?
- How would a separate training program for dislocated workers be coordinated with State and local economic development and job-creation efforts?
- Would trainees receive financial assistance for job search or relocation?

The TAA program requires beneficiaries to enroll in an approved training course unless the requirement is waived by DoL based on a finding that available training cannot be economically justified in a particular case. Funding for TAA training is treated as a capped entitlement by Congress. Thus, scarcity of training funds is not a concern for TAA program managers or beneficiaries, and the entitlement nature of its funding makes its clientele attractive to those who offer training services.

Funds also are made available to qualified TAA beneficiaries for relocation allowances and job search allowances. Job search allowances are available to eligibles who cannot find suitable work within the commuting area. To qualify, the laid-off worker must apply within 1 year of certification or within 6 months of concluding a training program. The allowance pays 90 percent of necessary job search expenses, based on 50 percent of the Federal rates for travel, up to a maximum of $800. Relocation allowances pay 90 percent of necessary expenses based on Federal rates for moving a household to the location of a job offer, plus a lump-sum payment of no more than $800. To be eligible, the beneficiary must have received suitable job offers only outside his/her commuting area and must apply for such aid within 6 months of completing training.

Similar provisions could be applied to a new dislocated worker program. Coordination with regional or State economic development activities could help ensure that training is provided in occupations with significant job opportunities.

Administration and Financing

How to resolve the administrative and financing issues depends, to some extent, on the type of effort envisioned: revising existing programs, creating a new permanent program, establishing one-time single-industry initiatives, or a combination of approaches. Resolution would also be complicated by the various levels and types of decision-making involved and interactions with and among existing programs, no matter what approach is taken. Moreover, whether to establish a centralized or a decentralized program poses substantial questions: Is "one-stop shopping" for recipients to be a goal, or should the emphasis be on using the expertise of existing programs and their related economies? The possibility for contracting out tasks to the private sector or other government programs makes the issue more complex.

Broadly speaking, administration would involve: (1) identification of affected employers and employees, both as groups and individuals; (2) provision of benefits; and (3) job training and/or job creation activities. It is unlikely that any one *level* of administration could handle all of these, and, even within any given level (Federal, State, or local), administrative authority might need differentiation by task. Moreover, the decision-making structure in existing programs might differ substantially from that chosen for a new dislocation initiative, making it more difficult to coordinate with or use existing programs.

Eligibility Decisions

Since most major Federal actions, including those taken by Congress, have a direct or indirect impact on some segment of the economy, eligibility criteria would need to be carefully drawn by an agency of the Federal Government. The DoL would be an obvious choice.

Because the impetus of an initiative would be to respond to Federal decisions and, presumably, most or all of the cost would be Federal, identification of affected employers and employees would be a task most appropriate for a Federal agency. However, this is not to say that a single Federal agency could, or should, be responsible, that a Federal agency should make all the identification decisions, or that nongovernment entities (e.g., employers) might not be significantly involved. At the least, identification would require decisions about group eligibility, individual eligibility, and an appeals process, all of which could be handled differently.

Establishing the administrative process for identification would pose such questions as:

- To what extent should Federal agencies other than DoL be involved? How would they be brought into the decision-making process? (If expertise on the economic impacts of environmental initiatives were needed in the eligibility certification process, the administering agency would have to acquire such talent by hiring staff, procuring expert consultants, or arranging for participation by EPA, Commerce Department, and/or Forest Service staff in the certification process. Participation by Defense Department staff might be needed to determine eligibility of workers affected by defense-related layoffs.)

- Beyond making the basic group eligibility judgments, should the Federal role be limited to the setting of guidelines for individual eligibility determinations, leaving day-to-day operations to State/local officials? Or should control be at the Federal level from top to bottom?

- To what degree would States, localities, employers, and employees be brought into the identification process, individually or as groups? Would they "petition" for coverage? Who could ask for coverage?

- How would appeals of eligibility determinations be handled? Would it be an adversarial process? Would individual and group coverage appeals be handled differently?

- How much should eligibility decisions be separated administratively from other matters?

- Should recipients be monitored beyond the initial eligibility decision (e.g., to see if employment was attained)? Who would do it?

Provision of Benefits

Provision of cash and other benefits is the task with which existing administrative structures have the most experience. However, decisions would be needed regarding which existing systems to use, to what degree eligibility determinations should be linked to administration of benefits, and how noncash benefits should be provided.

Issues that would arise include:

- Should the same agency/entity that determines eligibility administer benefit payments?
- Should the welfare system be involved, as opposed to SESAs or some other agency?
- If assistance were to include fringe benefits, should their administration be contracted out or handled by government managers?
- To what degree should employers be involved in furnishing benefits?

Employment Services

Given the current JTPA, TAA, and welfare program efforts, existing administrative structures and expertise could be tapped for the third basic task: job training and creation. But, even without the addition of a new mission, these ongoing programs face substantial difficulties in assigning priorities, with limited funding and differing goals, among the varying unemployed populations with which they deal. As a result, serious consideration would have to be given to establishment of a separate initiative for job training and/or creation.

- Should the existing decentralized pattern for job training/creation programs be followed?
- To what extent should current job training/creation efforts be used in an initiative for dislocated workers?
- Should affected employers be involved in retraining activities?

Program Financing

In addition to funding levels, financing a system for dislocated workers would pose questions as to timing, whether benefits should be viewed as an entitlement, whether non-Federal sources of funding should be tapped, and for how long funding should be authorized.

As an entitlement, funding for benefits would be virtually automatic. Alternatively, income support benefits might be an entitlement, while other services (e.g., training) could be limited by appropriations decisions, or both could be made subject to annual appropriations decisions. Making income support benefits subject to annual appropriations would put pressure on Congress to enact supplemental appropriations if the initial funding were inadequate to meet total benefit claims. Regardless of the funding method used, the entire program could be authorized for a limited time to ensure that Congress could review its usefulness periodically.

A case could be made that non-Federal (probably State) funding should play a part in supporting a program for dislocated workers. Federal provision of benefits would spare States substantial welfare and other costs which could free funds for this purpose. Furthermore, and, if States were to play a major administrative role, it might be advisable to give them a financial stake in the outcome.

If a dislocation program with broad applicability were enacted, it should be recognized that the administrative and financing decisions made for one type of dislocation might be inappropriate for others. As a result, some degree of flexibility would have to be built into the design.

CONCLUSION

If the approach of revising current programs were taken, a number of issues would arise that have long been regarded as contentious, such as Federal benefit rules for State-run programs. To resolve these issues would require a high degree of legislative success in matters of great complexity and longstanding controversy. Such success might not be prompted by the current scope of the dislocation problem. Thus, either the second or third strategy, to propose a program like TAA or REPP, might put advocates of such policies on a path of less legislative resistance. The 1990 House action on the Clean Air Act amendments (H.R. 3030) reflects a decision to follow the TAA model. Introduced bills (H.R. 3999, H.R. 5010) to assist workers affected by defense cutbacks have also followed that model. GAO strongly criticized two of the one-time employee protection programs for being poorly targeted and overly generous. Such programs are not now proposed in any pending legislation as a response to anticipated dislocation problems.

Instead of reacting to each worker dislocation as it arises, Congress could decide to adopt a general plan to compensate uniformly any group of workers able to demonstrate loss of work because of certain Federal policy initiatives. The advantage of a general plan would be that Congress could apply the same rules to similarly affected workers through a single agency and perhaps avoid the excesses and inefficiencies that have accompanied ad hoc employee protection efforts in the past. On the other hand, establishing the limits for coverage by a general program might be troublesome. Furthermore, experience has shown that sorting out the economic effects of policy initiatives from those of other factors can be difficult. For example, in the old growth/spotted owl question, four major factors will simultaneously reduce timber employment: the new National Forest plans, the continuing decline in amounts of old growth timber, spotted owl conservation, and increases in mechanization of mills.

Finally, design of an initiative to assist dislocated workers would be constrained by its impact on the Federal budget deficit. Emphasis on minimizing budgetary impact would mean that an initiative would probably define eligibility narrowly, provide benefits no more generous than those

available under comparable programs, keep entitlements to a minimum, and authorize benefits for a definite time period. However, if a budgetary environment developed that placed a high priority on rectifying worker dislocation problems, then a broad-based, permanently authorized program entitling eligibles to income support and retraining superior to that offered by UC and JTPA might be considered.

APPENDIX: LIST OF ACRONYMS

AFDC	Aid to Families with Dependent Children--Major Federal-State welfare program for families with children.
CRS	Congressional Research Service, U.S. Library of Congress.
DoL	Department of Labor--Federal agency that administers UC and JTPA.
DoT	Department of Transportation--Federal agency responsible for benefit eligibility under the Airline Deregulation Act of 1978.
EB	Extended Benefits--Federal-State program that extends UC benefits by an extra 13 weeks in States with high unemployment.
EDWAA	Economic Dislocation and Worker Adjustment Assistance Act--1988 legislation that revised the JTPA Title III program for dislocated workers.
EPA	Environmental Protection Agency--Federal agency responsible for enforcing certain pollution control laws.
FY	Fiscal year--The 12-month period beginning each October 1.
GAO	General Accounting Office.
JOBS	Job Opportunities and Basic Skills--Employment and training program created by the welfare reform legislation of 1988.
JTPA	Job Training Partnership Act--Federal program funding training and employment activities offered by local programs to dislocated workers and other eligibles.
OMB	Office of Management and Budget--Federal agency responsible for preparation of the President's budget.
PIC	Private Industry Council--Local consortium of business groups set up to guide the use of JTPA funds to the most useful training programs.
REPP	Redwood Employee Protection Program--Federal program enacted in 1978 to protect the compensation of employees affected adversely by the expansion of the Redwood National Park.
SESA	State employment security agency--State-level agency that administers UC in each State.

SSI	Supplemental Security Income--Federal program providing cash benefits based on need to the aged, blind, and disabled.
TAA	Trade Adjustment Assistance--Federal program of cash benefits and retraining services for employees who lose jobs because of adverse effects from foreign trade.
UC	Unemployment Compensation--Federal-State system that provides temporary cash benefits for covered workers who are involuntarily out of work.
UP	Unemployed Parents--Component of AFDC that serves two-parent families where one parent is unemployed.

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TESTIMONY OF PAUL E. POLZIN

My name is Paul E. Polzin. I am the Director of the Bureau of Business and Economic Research, School of Business Administration, University of Montana, Missoula. I also hold the rank of Professor in the Management Department.

I am a regional economist. For the past twenty-one years I have studied the rural economies in the Pacific Northwest. I have published my findings extensively in the regional economics journals. I am the past president of the Western Regional Science Association. I was the chair of the Pacific Northwest Regional Economic Conference.

I am a member of a study team of university experts organized by John Beuter of Mason, Bruce, & Girard Inc., a firm of consulting foresters located in Portland, Oregon. The purpose of this study team was to examine the social and economic impacts of implementing the conservation strategy for the northern spotted owl.

My role on this study team was to investigate the possibility that other events would mitigate the job losses in the wood products industry. It has been suggested that industries which further process wood could substitute for the lost primary wood products jobs. These are called "value-added" wood products industries.

Specifically, my job was to assess the likelihood that the jobs lost in timber harvesting would be replaced by jobs in industries that further process wood. Examples include firms that manufacture furniture, mobile homes, packing crates, kitchen cabinets, and the like.

The findings of my research can be stated very simply and concisely. The data clearly show that access to markets rather than a nearby source of timber has been the

primary determinant of the location of most "value added" wood products industries. That is, most further manufacturing of wood products occurs near the market in which the goods are sold rather than near a source of raw materials.

The reason for this is transportation costs. Manufacturing processes that produce outputs that are heavier or bulkier than the inputs tend to locate near the market in order to minimize transportation costs. In other words, total costs are lower when kitchen cabinets are assembled near where they will be sold rather than near where the wood was harvested.

I studied seventeen specific wood products industries. In eleven of the seventeen, statistical analyses concluded that market proximity was more important than resource availability in determining their location. These eleven wood products industries include most of those that are often suggested as replacements for timber harvesting -- kitchen cabinets, boxes, containers, mobile homes, home and office furniture, and so forth.

What does this mean? It suggests that jobs lost in the harvesting and primary processing of timber are unlikely to be replaced by jobs in "value-added" industries. Specifically, our study team concluded that the implementation of the conservation strategy for the spotted owl would cost about 44,000 timber industry jobs. Almost all of these jobs are in sparsely populated rural areas. The odds are slim that they would be replaced by jobs in "value added" wood products industries. These industries tend to locate near their markets -- that is, near cities.

The Pacific Northwest is relatively unpopulated. This suggests that most of the growth in these "value added" industries will occur elsewhere in the nation.

3

Turning to a slightly different topic, it has also been suggested that the job losses in the wood products industry may be of little consequence because the economy of the Pacific Northwest is booming. The regionwide statistics for the Pacific Northwest are deceiving. Most growth has been occurring in urban areas -- primarily near Seattle and Portland. The trends in most rural areas are very different.

For example, our study area included sixteen rural counties in Oregon. In eleven of those counties, the population growth rates were below the statewide average, and five of those counties experienced recent population declines.

The same is true in the state of Washington. There were fourteen rural counties in our study area. Ten had population growth rates less than the statewide average and two of those counties experienced population declines.

The rural areas have been experiencing below average economic growth. However rosy the regionwide totals, the areas where timber industry jobs will be lost do not, for the most part, have robust economies.

In conclusion, my research suggests that there be two components to a job retraining program for displaced forest products workers in the rural Pacific Northwest. The first is the traditional job retraining. The second component has to take into account the special situation in the Pacific Northwest.

Specifically, there are not likely to be many new job opportunities in the area. In addition, as Professor Robert Lee of the University of Washington reports, the loggers and primary wood products workers have a unique set of values, which must be taken into account if retraining efforts are to succeed.

IMPLICATIONS OF SPOTTED OWL CONSERVATION FOR ENTREPRENEURIAL ACTIVITY AND WORKER RETRAINING

TESTIMONY
Prepared for a Hearing
of the
Subcommittee on Regulation, Business Opportunities
and Energy
Committee on Small Business
United States House of Representatives

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Submitted
July 30, 1990

IMPLICATIONS OF SPOTTED OWL CONSERVATION FOR ENTREPRENEURIAL ACTIVITY AND WORKER RETRAINING

Submitted by
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My name is Robert Lee. I currently occupy the position of Professor in the College of Forest Resources, University of Washington. From 1983 to 1988 I served as Chair for the Division of Forest Resources Management at the University of Washington. As a sociologist and a forester, much of my research has focused on forest-dependent communities. I bring a diverse professional background to this task, and have worked for all major types of forest landowners except the Bureau of Land Management. Before seeking university employment, I worked for the forest products industry, U.S. Forest Service, and National Park Service. I take pride in maintaining an independent, professional stance on controversial natural resource management issues.

My remarks today are drawn in part from the assessment of social impacts being prepared for the Washington State Governor's office (Lee forthcoming). Earlier summaries of findings were reported in statements prepared for legislative committees in Washington and Oregon (Lee 1990b), as well as in an independent analysis commissioned by the consulting firm of Mason, Bruce and Girard as part of a study sponsored by the American Forest Resource Alliance (Lee 1990a). My work does not argue for or against implementation of the spotted owl conservation strategy recommended by the Interagency Scientific Committee (ISC) (Thomas et al. 1990).

This statement addresses six of the questions raised by the committee. I am not prepared to discuss the Job Training and Partnership Act or related programs for dislocated workers. My research focused on the human aspects of job loss, the potential for entrepreneurial activity and worker retraining, and the need for alternative institutional arrangements for managing federal lands. Questions will be addressed in the following order:

1. Do you have an estimate of the impact of employment in the Northwest?

2. Summary of findings on research into job dislocation potential in Spotted Owl areas, particularly as that research addresses issues of retraining potentials and problems.

3. In what ways are the retraining and other needs of dislocated workers in the Pacific Northwest similar to those of workers who may lose their jobs as result of the Clean Air Act, defense industry cuts, and other federal actions that will result in significant job losses? In what ways are those needs different?

4. Do you believe that retraining efforts, particularly in small, rural communities, can be effective? What sorts of jobs in these areas can be established? Are those jobs likely to provide the same standard of living? How long will the worker retraining process likely take for the typical displaced worker?

5. Are there opportunities for cooperative federal and state intervention programs? What is the single most important step the federal government could take in helping states respond to the dislocations that may occur as a result of federal timber supply decisions?

6. What has been the track record of government efforts to promote self-employment and entrepreneurship in the United States, Europe, and elsewhere? How effective do you think efforts to encourage self-employment would be in assisting dislocated wood products workers? How can federal government assist the states in implementing such self-employment efforts?

I. Employment Impacts in the Pacific Northwest

Employment impacts associated with implementation of the ISC strategy were reported by Beuter (1990) on the basis of economic models prepared by Gilless (1990) and Olson (1990). Estimates of direct and indirect job losses ranged from 36.6 thousand to 147.2 thousand, including the 19.5 thousand jobs already to be lost by implementation of approved forest plans.

A report summarizing the three-state economic and social impacts is being prepared at the request of the Governors of Oregon and Washington by a team of researchers drawn from the University of California, Berkeley, Oregon State University and the University of Washington (Lippke et al. forthcoming). According to this report, scheduled timber harvests on federal lands in California, Oregon, and Washington would most likely decline by at least 3,461 million board feet by 1995 if this strategy is implemented. Implementation of recommended habitat protection requirements on private lands will lead to additional reductions in California, and could potentially reduce harvests in Oregon and Washington. The report projects direct and indirect job losses ranging from 26,044 to 97,590 (including reductions to be caused by implementation of approved plans), depending on the business cycle, the extent to which habitat is conserved on state and private lands, and the degree to which the private sector would compensate for immediate reductions of federal timber harvests. These estimates are lower than those in the Beuter

report because of assumptions that many displaced workers will be immediately reabsorbed into the economy.

All estimates of job losses ignore the substantial number of jobs held by silvicultural contractors or their employees. Tree-planting, thinning, pruning, and burning provide a significant number of jobs for local workers.

For purposes of social impact analysis, I prefer to work with the numbers that represent the total number of people that would suffer the social and personal consequences of job loss, regardless of cause and timing of reemployment. If the ISC strategy is adopted, people displaced will not know whether their job was eliminated because of owl conservation, implementation of forest plans, or a downturn in the economy. The personal pain and sense of loss will be the same, and the owl conservation strategy is likely to be blamed. Moreover, social service and job retraining will have to be programmed in response to the total job loss, since there will be no way to determine who was impacted by the owl conservation strategy and who was affected by another cause.

These job losses would be unevenly distributed among timber dependent communities. Most of the direct and indirect job losses would occur in rural communities where alternative opportunities are scarce or non-existent.

II. Job Dislocation Potential and Resulting Problems: From "Timber Supply Crisis" to "Rural Crisis"

A severe, but short-term, timber supply crisis would result from implementation of the (ISC) report. What would begin as a sudden reduction in timber harvests would quickly result in a severe and persistent social and economic rural crisis. This rural crisis will ultimately be far more significant than the timber supply crisis, since its effects are likely to be felt for several decades.

A rural crisis is likely because a complex set of factors make Northwest wood products labor markets unusually sticky--preventing the efficient reallocation of people to new jobs and locations. Labor market theory predicts that dislocated workers will change occupations and/or move to new locations in response to economic incentives (U.S. Congress, Office of Technology Assessment 1986). Those concerned with engineering rapid adjustment of people in timber-dependent communities have proposed adjustment assistance in the form of extended unemployment benefits, retraining, education, temporary mortgage supplements, and relocation assistance.

Our findings suggest that the capacity and willingness of people to adjust has been seriously overestimated. There is a far more complex problem for which conventional dislocation adjustment assistance is only a partial remedy. While job losses are an important cause for disruption in people's lives, the unique character of timber-dependent communities, loss of trust in assured wood supplies, severe cultural conflicts, and related

vilification of the logger combine to complicate rural labor market adjustment processes that function poorly under the best of circumstances. Policy makers and interests groups may have over-estimated the capability of independent rural people to adapt to politically induced economic dislocation.

A comprehensive discussion of the traditional, entrepreneurial character of timber-dependent communities and the complexity of impacts caused by implementation of the ISC strategy is available in the report I prepared for Mason, Bruce and Girard (Lee 1990a). I will summarize some important findings contained in that report and add some additional comments.

In addition to the stress of losing a job or a business, wood products workers and entrepreneurs would be affected by a loss of trust in their government when sudden timber harvest reductions were imposed. The federal government deliberately encouraged the development of local wood products industries throughout the West, guaranteed continuous wood supplies, and stimulated the formation of timber-dependent communities to provide a permanent home for these industries (Clary 1986). People bought homes, invested capital, and formed attachments to town communities on the basis of the government's promise of sustained yield wood production.

Additional stress would be added by a wrenching conflict between traditional, production-oriented rural people and modern, consumer-oriented urban people. The bedrock of American culture was embodied by rural entrepreneurs and their employees; unpredictable markets, unfavorable weather, bad luck and the risks

of injury and death were embraced instead of avoided. Toughness and strength of character were highly valued (Also see Gold 1985), and were prized as the "stuff" necessary to build a nation and compete in a hostile international environment. People in timber-dependent communities view the possibility of a sudden reduction in harvest schedules as an attack on the true "American way of life."

Correspondingly, environmentally sensitive consumers in urban areas often view logging as a destructive and declining occupation, and have little awareness of where wood-based products come from or how and why they are produced. Many people find a sense of justice in the decline of logging. Rapid decline of this occupation is seen as a positive sign that the world is evolving toward a higher level of environmental sensitivity and a more positive commitment to future generations. Moreover, there has been widespread vilification of the logger, including stereotyping that leads people to assign blame to victims--thereby justifying actions to remove them from their jobs and the land.

The conflict between these two cultures has rigidified to a point where it has begun to resemble a severe political conflict between a class of rural producers and a class of urban consumers. Such unfortunate political cleavages arise when government fails to raise to the public arena conflicts between private parties with unequal strength (Schattschneider 1975).

From an historical perspective, this conflict is an inevitable result of a transition from an industrial (manufacturing-based) society to an advanced-industrial (information-based) society. Analogous social and political problems arose when industrial society replaced the traditional agriculturally-based societies of Europe and the U.S. South. The persistent social and political problems that accompanied the failures of Reconstruction following the Civil War would provide an appropriate comparative case for examining the issues of dislocated wood products workers.

The inability or unwillingness of people to adjust to the governmentally imposed change will result in regions of rural poverty in some areas presently occupied by timber-dependent communities. People who choose to remain may adapt by using local resources for subsistence (including poaching fish and game), exchanging services, relying on intermittent wage labor, and engaging in extra-legal enterprises. The rural culture of southwest Oregon and Northwest California, with its reliance on the production of illegal drugs, is an example of what can happen to some heavily impacted locations when local wood products economies decline. Such rural poverty does not provide a setting conducive to recreation use, tourism development, or alternative industries, and makes it difficult to implement governmental conservation programs (Gallaher and Padfield 1980). A semi-permanent rural underclass will be created, with all the attendant social, economic, and resource conservation problems found in

other economically depressed rural regions: persistent poverty, substandard education and medical care, lawlessness, hostility toward outsiders, scapegoating, and unstable family structure.

III. Displaced Wood Products Workers Needs as Compared with Others Displaced by Economic Change and Federal Action

Any sudden job loss can be experienced as a life-threatening event and can have severe emotional consequences (Lawson 1987). Yet some people, especially those who are younger and more adaptable, will adjust by seeking retraining and/or moving to new locations. But many dislocated people will experience levels of stress that will inhibit rational thinking necessary for making successful adjustments. Such effects can last for years, and may resemble the delayed stress syndrome that troubled Viet Nam veterans. Stress will also cause personal and family problems ranging from substance abuse and divorce to suicide (Briar 1988, Lawson 1987). Job displacement in any situation creates a great need for social services tailored to the traditions and social structure of affected groups. Retraining and other adjustment programs will not work if stress has inhibited normal cognitive and emotional functioning.

Current information suggests that adaptation will be a far more complex process for dislocated wood products workers than for those affected by closure of a military base, loss of mining jobs as a result of the Clean Air Act, decline in the steel industry, or the economic depression that devastated the wood products

industry a decade ago. While all job displacements have features that make them unique, displacement of wood products workers is especially complicated. Unlike people who work in the defense industry or for the military, the majority of wood products workers live in isolated communities at great distances from alternative sources of employment. Many have nontransferable skills in logging or sawmilling. They have an unusually strong attachment to the rural lifestyle and rural places, and find urban living abhorrent. Loggers and small town entrepreneurs find life's meaning in their work and have strong occupational identities. Those in heavily impacted remote locations will also experience extreme difficulty in selling their homes, and many will be forced to declare bankruptcy and lose their life savings.

Dislocated miners are in a somewhat similar position to wood products workers, but have not had the same economic independence and attachment to their work. Moreover, the government did not guarantee resource supplies through sustained yield plans, and miners are not portrayed in disparaging terms such as "tree killers." Also, the union solidarity of many miners has taught them how to cooperate in the face of threats, whereas the self-reliant wood products workers are only now learning how to cooperate.

I have focused on the "farm crisis" of the early 1980s as the most comparable event because of the similarity in cultural values and independent lifestyle. I have concluded that the farm crisis was not as complicated and potentially disruptive as the "rural

crisis" likely to result from the timber supply crisis. Although there were tragic human costs to the farm crisis (Heffernan and Heffernan 1986), it was caused by economic adjustments, not a political transfer of wealth from one primary use to another. (Most rural wood products entrepreneurs and workers believe firmly in the legitimacy of the free market system and reluctantly accept market cycles.) Also, the fact that government did not ignore the plight of displaced farmers helped reduce political cleavages associated with radical populism. Moreover, the nation as a whole rallied in support of the dislocated farmers. Feelings of self-esteem and connectedness to the larger society were reinforced by positive media attention and publicity events such as Farm Aid.

The political character of the ISC strategy creates a situation that is qualitatively different. Since training and relocation were only partially successful for the farm crisis, these programs will be even less successful for dislocated woods products workers.

IV. Retraining Efforts for Small Timber-Dependent Communities

The entrepreneurial lifestyle of timber-dependent communities presents an enormously valuable societal resource for modifying and redirecting forest management and wood utilization practices. Few sectors of the nation's primary economy contain such inventiveness. The above mentioned psychological and social costs could be greatly reduced by seizing opportunities for redirecting

these human resources. Retraining will be necessary to prepare people for new entrepreneurial opportunities.

Wood production remains the only means most rural communities have for developing rural wealth. There is an opportunity to add significant value to standing trees by thinning and pruning young stands at several stages in their development. If they could earn an acceptable family wage, many loggers would prefer to be retrained as independent contractors for such work rather than moving to new locations in non-entrepreneurial jobs.

New silvicultural and harvesting techniques to be incorporated in place of extensive clearcutting will create additional job opportunities because far more skill will be required to remove wood from forests, and harvesting will be more labor intensive. Instead of importing Swiss loggers, we could train our own loggers to use more flexible and ecologically acceptable harvesting techniques. Modified silvicultural and harvesting practices can also make it possible to increase the harvest of wood from stands presently reserved for scenery, watershed protection, or other environmental values.

Substantial reductions in log exports have been proposed as a means for substituting manufacturing jobs for jobs lost in logging or old growth manufacturing. Although some additional sawmilling jobs might be created, few dislocated loggers are likely to seek retraining for sawmilling. The entrepreneurial lifestyle shared by loggers cannot be easily substituted in sawmill employment. However, increases in domestic sawmilling could reemploy displaced

sawmill workers and provide investment opportunities for entrepreneurs, including dislocated loggers.

If wood supplies can be guaranteed (an increasingly questionable assumption), there will also be significant opportunities for developing value-added wood manufacturing industries. Workers dislocated from sawmills could be retrained and reemployed in new enterprises. Work underway in the Northwest Policy Institute at the University of Washington is identifying approaches to value-added manufacturing that have worked in European nations (Sommers 1990).

Economic incentives could be structured to attract the location of new, smaller and medium-sized timber and non-timber enterprises in rural localities suffering from reductions in timber harvests. Rural enterprise zones with favorable tax treatment and simplified regulatory and permitting processes deserve careful study. Such incentives would be far more effective in mitigating impacts than measures designed to stimulate occupational and geographical mobility.

Federal government regulations could also provide opportunities for long-term "stewardship" contracts for silvicultural service firms, or use other legal means to protect the opportunity for local workers to find secure, higher-wage employment in activities necessary to improve and protect public forests. Some of the contract work is now performed by migrant labor at low wages.

At least a decade would be required to adequately redirect local economies and retrain workers. Basic education has been poor in rural communities, and few workers have the intellectual skills necessary for adopting advanced logging or manufacturing technologies. If the ISC strategy was phased in over a decade or more, the costs of income maintenance, basic education, and retraining could be reduced substantially. This would also permit training to be integrated with existing educational delivery systems, plant upgrading, and development of new techniques for forest management and logging.

V. Most Important Government Action and Federal-State Cooperation

Providing states and local governments with the authority to experiment with new institutional arrangements for cooperating with national forests or BLM districts is the most important step the federal government could take in helping states respond to dislocations caused by a sudden reduction in timber supply. Existing institutional arrangements appear to have failed to provide stable solutions to federal resource planning and management issues. The growing conflict between people engaged in resource production and people dedicated to environmental protection cannot be resolved by centrally mandated timber harvest targets or the centralized authority of the Endangered Species Act.

Experience throughout the world has shown that such top-down planning only works where a government is capable of sustaining

effective coercion or otherwise persuading people to comply with its blueprints. Since our political traditions prohibit such actions, and we have imperfect labor markets for wood products workers, we must either resign ourselves to creating a persistent rural crisis or find institutional arrangements that will permit orderly change.

The federal land management planning processes mandated by the National Forest Management Act and Federal Lands Policy Management Act offered a promising attempt to manage such change. These processes followed the philosophy established in the National Environmental Policy Act. Alternative resource allocation and management plans were developed, consequences were assessed, and public comments were solicited. At its best, the selected plan resulted in a "social contract" between a national forest or BLM district and local, regional, and national publics concerned with management of a particular tract of federal land (Shannon 1990). However, the planning process failed to produce stable solutions because government policy also allowed administrative agencies to choose (or be forced into exercising) centralized control (i.e., Endangered Species Act authority) over decentralized land management planning.

Experiences in international development offer other institutional arrangements. Vesting rights to forest use in local communities has worked well in situations where national elites have denied economic opportunities on public lands to local populations. One alternative for the Pacific Northwest would be to

work with the states in authorizing the formation of community development corporations, and to provide these corporations with the option of long-term sustained-yield contracts with national forests or BLM districts. The government could be obligated to compensate corporations for losses they would suffer as a result of reductions in federal timber harvests. These arrangements would superficially resemble the Cooperative Sustained Yield agreements authorized in 1944, but could be restricted to community development corporations rather than private timber companies and could create a restricted market for timber cutting rights among authorized development corporations. Such an arrangement would contain the development of wealth in rural communities and provide communities with options for exchanging cutting rights for more attractive opportunities.

Other institutional arrangements might also be identified and evaluated, including alternatives involving modified forms of public administration, modified public ownership and management, and disposal of the most productive timber-growing lands.

There is also a need for federal and state cooperation in covering the substantial costs of social services, retraining, and economic revitalization. Heavily impacted counties will bear the burden of increased social service costs at the same time that they will suffer from declines in their 25 percent share of federal timber receipts and reduced tax receipts (Lippke et al. forthcoming). Successful economic revitalization will require substantial investments in education and training. There will also

be a substantial need for capital to redirect local economies toward value-added forest management and manufacturing.

VI. Promoting Self-Employment and Entrepreneurship

My observations on self-employment are drawn from extensive study of Japanese mountain village development policies and community research in the Pacific Northwest and Southeast Alaska.

The most important things the government can do to promote self-employment and entrepreneurship in timber-dependent communities of the Pacific Northwest are:

1. Improve basic education and provide period mid-career training opportunities;

2. Reduce uncertainty about the availability of future wood supplies from public lands (wood remains the only viable opportunity in most communities);

3. Expand the Forest Service's partnership program in recreation and tourism to permit the development of destination resorts, ski areas and other capital intensive developments wherever conditions are suitable and marketing opportunities exist;

4. Fund education and training programs in tourism development, marketing and management;

5. Assure the provision of risk capital for the development of new wood products manufacturing, non-timber manufacturing, tourism, and other enterprises in rural communities; and

6. Most importantly, exercise leadership and develop programs that protect and foster the entrepreneurial culture of rural, timber-dependent communities.

My remarks about the potential for tourism should not be taken as a recommendation that tourism can be substituted for wood products employment. The tourist industry cannot provide a family-

wage for most employees, but it can provide new opportunities for entrepreneurs and opportunities for supplemental household income that would otherwise be unavailable.

Conclusions

I will conclude by quoting from *Our Common Future:*

> Industry is on the leading edge of the interface between people and the environment. It is perhaps the main instrument of change that effects the environmental resource bases of development, both positively and negatively. Both industry and government, therefore, stand to benefit from working together more closely.

Successful resource conservation programs must include people in the context of ecosystems. Experience throughout the world has shown repeatedly that to ignore people in ecosystem management is to fail. We cannot have a healthy forest ecosystem without healthy human communities. We cannot have healthy communities without healthy industries to support them. The wood products industry is, and will remain, the primary industry in most remote forested areas of the Pacific Northwest. Forest conservation programs will not succeed unless government, industry, and communities build new partnerships and work together.

Successful adjustment is most likely to result from a concerted attempt to stimulate the redirection of wood products related entrepreneurial activity in rural locations. Further development of the tourism industry can help supplement wood products. Creation of new rural wealth to compensate for at least a part of what will be transferred to other uses is not inconsistent with protection of environmental values. The future

challenge will be to demonstrate how commodities and environmental qualities can be produced from the same land.

Further protection of old-growth forests is warranted by policies governing the nation's federal lands. Although the government can control the rate and extent of old-growth preservation efforts, substantial areas of old growth forests will inevitably be preserved. I have not argued for or against such protection, but have instead identified the implications for entrepreneurs and workers of sudden reductions in federal timber harvesting. I have focused attention on the needs of people who are impacted by such planned change. Greater sensitivity to how people are affected can substantially reduce the disruption in human lives and the potential for rural poverty, as well as reduce the long-term social costs of retraining and other means for mitigating these impacts.

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Biographical Sketch
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Dr. Lee occupies the position of Professor in the College of Forest Resources, University of Washington. He joined the forestry faculty in 1978, served as Associate Professor until 1983, and then served five years as Professor and Chair for the Division of Forest Resources Management.

He received a B.S. degree in forest management from the University of California, Berkeley (1964), a Masters of Forest Science degree from Yale University (1969), and Ph.D. in Wildland Resource Science from the University of California, Berkeley (1973).

Professional experience in forestry includes three summers marking timber for the U.S. Forest Service (Mendocino National Forest), one summer surveying and marking timber for Collins Pine Company, Chester, California, and, following undergraduate studies, three years preparing a timber inventory and management plan for Rockport Redwood Company, Rockport, California.

While completing doctoral research, Dr. Lee was employed as a Research Sociologist by the National Park Service. He then served as an Assistant Professor at the University of California until moving to the University of Washington.

Dr. Lee teaches and does research in the sociology of natural resources. He is best known for his work on forest-dependent communities, and has recently published the first volume on this topic: *Community and Forestry: Continuities in the Sociology of Natural Resources*. Current research includes comparative analysis of Japanese and Pacific Northwest forest-dependent communities, identity transformations among wood products workers, and the dynamics of resource-based community development. He also has expertise in sustained yield, public participation strategies, social impact assessment, institutional change in wildfire management, and integrated multiple use management.

He has consulted for the U.S. Forest Service, National Park Service, private consulting firms, U.N. Food and Agricultural Organization, State of California, and State of Washington.

COMMUNITY/WORKER PROFILE

Timber workers and families have chosen a way of life based on hard work, risk and rural isolation with expected returns of family wages and a quality of life that differs from the dynamic Puget Sound. They fiercely believe in the "American Dream" of family independence and economic stability in return for honest work. The families have often been loggers or mill workers for generations and all have a strong tie to their work, their family, and the forest itself.

Timber communities include diverse groups of loggers, mill workers and entrepreneurs and their families.

Loggers are members of an "occupational" rather than a residential community. They work and socialize together. They gain their jpb security within the occupation through their personal reputation within the workgroup wguch they maintain from job to job. Their loyalty is more to active logging than to a company, outfit or locality.

Millworkers, both sawmill and shake and shingle workers, are attached to particular settlements. They have had to cope with the economic instability of the cyclical wood products industry. They have learned that there are good times and bad times. The good times return, but in the mean time, it is possible to ride out the tough times through Unemployment Compensation and survival efforts.

The Entrepreneurs who own and run the small businesses that service the logging and sawmill firms and their employees, are often the community leaders. These individuals have invested themselves, their lifes' work and savings into building a business. They embody the same ethic and attitude as their wood products neighbors.

All groups share an ethic of self-reliance, respect for independence, hard work, risk-taking and inventiveness. They are proud, independent, resistant to change, strong and skilled with their hands, survivors, tough, willing to work despite their disabilities, and are part of the land.

Timber families have known hard times before. Most recently, in the early 1980's, the housing recession led to a depression in timber communities. Families came together, used up their resources, reevaluated their situations and survived. Workers even negotiated "giveaways" in order to help the companies remain competative. There was a willingness to do what was necessary to pull through the temporary downturn.

The communities are facing social and cultural disruption caused by:

Job losses
Workers often experience job loss as a life-threatening event which may be followed by personal trauma and permanant psychological harm. Workers who have been able to rely on their reputation to regain work no longer will be able to do this. Entrepreneurs will experience a tremendous loss of self when they are forced to close.

Loss of trust in assured wood supply
Since the people in timber-dependent communities trusted the government and its committments, the residents experience a sense of abandonment, violation and helplessness.

Conflict of entrepreneural and collective values
The residents see the government strategies as an attack on the "American way of life." They see a conflict between individualism and governement control and this further reduces their trust of government or any outsiders.

Dehuminization through degrading woodsworking occupations
Popular steriotypes are being distributed . These blame the workers for the problems and create negative associations with the wood products occupations. This steriotyping can lead to learned-helplessness, depression, cynicism and disempowerment.

Denial of the need to change
The families still living in the communities are the survivors. They are the ones that used up their resources in the last downturn, but they are also the ones who don't believe that this will be more permanant than the previous scares. They have heard the crys of "wolf" before and have lived to see the industry come back again

Social disruption within a community takes many forms. There is fear of poverty and of the need to rely on government. Reported incidents of domestic violence increase, arrests increase, substance use and abuse increases, deaths and suicides increase. All these occur while the community tax base is reduced along with the ability to respond to the crisis .

The communities and the individuals will require creative approaches to respond to the trauma, anger and high levels of stress they face as they are asked to adapt to the changing situation.

There is a need to deal with the seperate problems faced by each of the three major groups of workers affected by the reduction in resources. There will be a need for traditional interventions such as retraining, relocation, income support and supportive services, and for employment/training services directed to spouses who appear ineligible for any existing program. There will also be a need for extended social services, counseling, health support, and community development.

Before any of these interventions can be offerred, it will be necessary to start with the family and community denial. We must respond to the fears of poverty, then confront the attempts to dehuminize and blame the workers and the communities, and help rebuild hope and a future.

Testimony Presented to

United States House of Representatives
Committee on Small Business
Subcommittee on Regulation, Business Opportunities, and Energy

Monday July 20, 1990

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Good morning Mr. Chairman and members of the committee. I appreciate the invitation to come and speak with you today about some of the issues confronting timber dependent communities, firms, and workers in the Pacific Northwest.

My name is Dr. Brian Greber, and I am an Assistant Professor of Forest Economics in Oregon State University's College of Forestry. My area of expertise is in timber supply and the economics of forest product markets, and my history of research includes a number of studies related to today's topic. I have conducted studies in technological change and productivity growth in the lumber and wood products industries, timber supply in the South and in the Pacific Northwest, and the reliance of local taxing districts in Oregon on timber derived revenues. I was one of the authors of the recent report "Timber for Oregon's Tomorrow: The 1989 Update," which provided a comprehensive overview of the condition of Oregon's forest resource, the likely outlook for timber harvests in the state, the role of timber industries in Oregon's economy, the outlook for the timber industries, and the outlook for the statewide economy. More recently Governor Goldschmidt asked that my colleagues and I extend the timber study to look at the conservation plans for the northern spotted owl and its implications for Oregon's timber availability and for Oregon's economy: this study is just now coming off the press. Finally, I should note that my professional career was interrupted in 1988-1989 when I served as Operations Scheduler for Contact Lumber Corporation, which is one of Oregon's largest secondary wood products manufacturing firms.

I would like to share with you some of the findings from our recent studies that I feel are of importance to today's topic. I realize that today's session involves all of the Pacific Northwest, but I am going to limit my remarks to the Oregon situation. First let me summarize some key points regarding Oregon's timber industries and economy.

1. In 1988, 77,400 people were employed in logging, sawmilling, veneer and plywood manufacture, pulp and paper processing, and secondary wood products manufacture. This constituted 6.7% of the state's total wage and salary employment and 36% of the state's manufacturing wage and salary employment.
2. These employees accounted for $2 billion in income; 9.0% of the total state wage and salary income and 37% of the state's manufacturing wage and salary income.
3. Oregon's employment is concentrated in the Portland and Salem metropolitan areas at the northern end of the U.S. Interstate 5 corridor: 61% of the state's employment is in these areas, although these areas account for only 6.5% of the land area in the state.
4. Outside of the Portland and Salem metropolitan areas the timber industries account for 13.7% of total employment and 64.1% of manufacturing employment.
5. In terms of income, timber industries outside the Portland and Salem metropolitan areas accounted for 19.6% of the total wage and salary income and 65.7% of manufacturing wage and salary income.
6. Timber industries in the state have been supported by a post recession (1981-1982) harvest level of approximately 8 billion board feet per year. Approximately 41% of the harvest is from private lands: a level which is sustainable through the 21st century.

Timber availability in Oregon is likely to be changing in the next decade due to changing federal lands management encompassed in recently proposed national forest plans and in the Interagency Scientific Committee's (ISC) Conservation Strategy for the Northern Spotted Owl.

Background[1]

The recent report issued by Oregon State University, "Timber for Oregon's Tomorrow: The 1989 Update" (hereafter referred to as "The 1989 Update") suggested that Oregon will be confronted with declining timber availability in the next few decades (Sessions et al. 1990). "The 1989 Update" used the most recently available plans for public lands and projected harvest potential on private lands. Since the publication of "The 1989 Update," the northern spotted owl has been listed as threatened by the U.S. Fish and Wildlife Service and new information has become available for conservation plans for the northern spotted owl.

In response to concerns over the viability of the northern spotted owl, the heads of the National Park Service (NPS), U.S. Fish and Wildlife Service, USDA Forest Service, and the Bureau of Land Management (BLM) called for an Interagency Scientific Committee (ISC) to be formed to develop a scientifically credible conservation strategy for the northern spotted owl.[2] The committee released its findings in April 1990 and the ISC Conservation Strategy called for the establishment of a system of habitat conservation areas, "HCA's" (Figure 1). The committee recommended that no timber harvesting should be permitted on lands managed by the USDA Forest Service, BLM, or NPS within the habitat conservation areas (HCA's). In addition, it was strongly recommended that Oregon allocate state acreage to the HCA network. The committee also recommended changes in management actions on forest lands administered by the Forest Service, and BLM, outside the HCA's to provide for connectivity between habitat areas.

The Endangered Species Act and Oregon's Forest Practices Act will require that the state Board of Forestry draft conservation plans and management guidelines for state and private lands in Oregon. The ISC Conservation Strategy recommends that "the management of suitable habitat on private and State lands should be carried out under the leadership of the States with the cooperation of private land owners. The States, with their cooperators should prepare habitat conservation plans ... that specify how an owl population can be managed."[3] The final guidelines for the state conservation plans are not known at this time.

As has been widely reported, the combination of the newly proposed national forest plans and the ISC Conservation Strategy for the northern spotted owl will lead to substantial changes in timber availability in the state. The goal of this study is to analyze how the ISC Conservation Strategy will influence Oregon's timber availability and economy in the context of overall changes in public land management. Our study refines the estimates of the timber harvest impacts, analyzes a range of potential outcomes for private lands, provides geographical detail for the harvests, and outlines the economic implications in terms of employment, income, and receipts to local governments.

Executive Summary

According to state and federal agency estimates, adoption of the ISC Conservation Strategy on state and federal lands will reduce their harvests 1,154 million board feet per year in the 1990's (3.9 percent of this reduction is in state harvests); this is in addition to a reduction of

[1] From Greber, B.J., K.N. Johnson, and G. Lettman. 1990. "Conservation Plans for the Northern Spotted Owl and Other Forest Management Proposals in Oregon: The Economic Implications of Changing Timber Availability." Forest Research Laboratory, Oregon State University, Corvallis. Paper in Forest Policy1.

[2] The report (Thomas et al. 1990) was released April 2, 1990, in a mimeograph form. The title was "A Conservation Strategy for the Northern Spotted Owl." The full title of the committee was the Interagency Committee to Address the Conservation of the Northern Spotted Owl. Committee members were Jack Ward Thomas (Chairman), Eric D. Forsman, Joseph B. Lint, E. Charles Meslow, Barry R. Noon, and Jared Verner.

[3] ISC member Dr. E.C. Meslow has, however, stated that the public lands conservation strategy was intended to be sufficient for the protection of the northern spotted owl (personal communication 7/25/90).

674 million board feet that would accompany the most recently proposed public agency plans. In aggregate, public timber harvests in the state would decline 39 percent from levels of the mid-1980's.

Our study recognizes three potential scenarios for private owners in the 1990's: (1) No Private Response——harvest at sustainable levels (maximum levels sustainable for one rotation under owner-specified management guidelines and inventory constraints), (2) Private Price Response——increase harvests over sustainable levels in response to rising prices brought about by declines in public supplies, and (3) Private Conservation——adopt a conservation plan with guidelines similar to those outlined in the ISC Conservation Strategy. These scenarios provide a range of potential outcomes on private lands, from scenario (2), which assumes complete freedom for private owners to increase harvests above sustainable and recently observed levels, to scenario (3), which extends ISC Conservation Strategy guidelines to private lands with substantial reductions in harvests. Scenario 1 offers something of a middle ground.

Private owners in the state can sustain an annual level of harvest of approximately 3,421 million board feet. An Interagency Economic Assessment suggested that private harvests in the region might, if not affected by a conservation plan, rise by 19 percent in the 1990's.[4] Our study confirms that while this course is possible, it would liquidate significant acres of young, rapidly growing private timber. The result would be that, in the early 21st century, private owners could maintain a harvest 7 percent lower than the 3,421 million board feet that are currently sustainable, and this harvest would be comprised of younger timber than projected under sustainable levels. The implementation of conservation guidelines similar to those in the ISC Conservation Strategy could reduce private harvests in the 1990's to one-half of the sustainable levels.

If the ISC Conservation Strategy is implemented with the proposed plans on state and federal lands, Oregon is apt to witness harvests in the 1990's declining 14 to 21 percent relative to the level of 1983-1987, depending upon the outcome on private lands. Into the beginning of the 21st century, the decline will reach 21 to 24 percent of the mid-1980's level. If similar guidelines are used for private management, then harvest levels in the 1990's and into the beginning of the 21st century will be 57 percent of the 1983-1987 level.

All timbersheds outside of the North Coast will see drops in harvest levels from the recent past because of the proposed public plans, and the ISC Conservation Strategy will further reduce the harvest levels (see Figure 2 for timbershed definitions). The Willamette, Eugene, Roseburg, and Medford Timbersheds will see declines of over 20 percent, even if private owners accelerate the rates of harvest in response to the public sector adopting the ISC Conservation Strategy along with the proposed plans. If guidelines similar to the ISC Conservation Strategy are extended to private lands, declines in timber availability will be 47 to 65 percent in all western Oregon timbersheds except the North Coast, and even the North Coast would see a 23 percent decline from the harvest levels of the mid-1980's.

Timber industry employment will fall in all western Oregon timbersheds outside of the North Coast. The Willamette, Eugene, Roseburg, Medford, and South Coast Timbersheds could see timber industry employment decline by over 12 percent if the ISC Conservation Strategy is coupled with the proposed plans, even if private harvests increase as suggested in the Interagency Economic Assessment. Timber industry employment in western Oregon could decline as much as 30 percent if private lands are affected by guidelines similar to those in the ISC Conservation Strategy.

Growth is expected in Oregon's economy with or without the ISC Conservation Strategy. Compared to today's employment levels, Oregon's employment is anticipated to grow approximately 1.46 to 1.74 percent per year in the 1990's. Income growth, however, does not keep pace with employment growth; thus, real average income will decline for workers. The range in growth stems from the impacts on the economy

[4] The report (Hamilton et al. 1990) was released on May 3, 1990, in mimeograph form. The report was titled "The Economic Effects of Implementing a Conservation Strategy for the Northern Spotted Owl." The committee charged with the report was known as the Interagency Economic Effects Team. Members of the Committee were Tom Hamilton (Co-Leader), Joe Zimmer (Co-Leader), Phil Stanbro, Mel Berg, Dave Darr, Bill Levere, Richard Haynes, Bill Lange, Al Fox, Mike Skinner, Don Eagleston, and Bob Biesterfeldt.

of the changing timber availability associated with the proposed plans, the ISC Conservation Strategy, and different assumptions on private lands. However, as timber industry and its employees buy less of Oregon's goods and services, the impact ripples through the Oregon economy. More than one other job will be displaced along with each timber job. While the job loss may be appropriately labeled as "lost growth opportunities," it will entail actual job changes and relocation by workers.

If we look at where the economy could be if the mid-1980's harvest level could be contin-

Year & public scenario	Private scenario		
	No Private Response	Private Price Response	Private Conservation
	(Thousands of jobs displaced)		
1995			
Proposed Plans	7.4	7.4	7.4
ISC Conservation Strategy	16.0	4.7	42.1
Total displacement	23.4	12.2	49.5
2005			
Proposed Plans	6.4	6.4	6.4
ISC Conservation Strategy	12.0	17.6	21.2
Total displacement	18.4	24.0	27.6

ued through the 1990's, the economy-wide job displacement associated with the proposed plans and the ISC Conservation Strategy could range from 12.1 to 23.4 thousand jobs in 1995, depending upon the outcome on private lands, and would be from 18.4 to 24.0 thousand jobs in 2005:

Year & public scenario	Private scenario		
	No Private Response	Private Price Response	Private Conservation
	(Millions of 1986 dollars of wage and salary income displaced)		
1995			
Proposed Plans	316	316	316
ISC Conservation Strategy	982	199	1,831
Total displacement	1,002	515	2,147
2005			
Proposed Plans	366	366	366
ISC Conservation Strategy	797	892	2,145
Total displacement	1,163	1,258	2,511

The income displaced would range from $515 million to $1,002 million per year in 1995, and from $1,163 million to $1,258 million in 2005:

This income effect would include both the effect of displacing workers and a further decline in real average worker wages for the remaining work force. If the ISC Conservation guidelines are extended to private lands, the displacement swells to 49.5 thousand jobs and $2,147 million in income in 1995 and 27.6 thousand jobs and $2,511 million in income in 2000.

Growth will likely be centered in the state's metropolitan and large recreational centers. Throughout western Oregon, many communities outside the U.S. Interstate 5 corridor and outside the coastal communities must be considered at risk when the ISC Conservation Strategy is coupled with the proposed public plans. The disruptions within these communities will extend beyond jobs and income. Despite growth in the state-wide economy, re-employment opportunities in the western rural communities are likely to be scarce in the foreseeable future. Relocation may be a necessity for many rural workers. The cost of relocation can be significant, particularly for homeowners. Large losses in home equity may be a reality in many of these communities, and relocation may place a heavy financial burden on rural families. Depressed property values and declining industrial bases will lessen the tax base and influence the ability to fund local services.

Needs for social services in the timber-dependent communities may be significant. The need for services related to unemployment will increase greatly in many communities, and worker retraining will likely be required in many instances, as lateral moves in manufacturing are going to be difficult in the state. Large-scale unemployment in communities can also bring with it social problems such as stress, crime, substance abuse, and family abuse. Because the impacts and the communities are widely dispersed, the mobilization of the social service forces to deal with the disruptions may be difficult and costly.

Raw material prices will certainly rise as a result of the decline in available timber. The USDA Forest Service estimates that western Oregon stumpage prices will rise more than 65 percent in the mid-1990's because of the proposed public plans and the ISC Conservation Strategy. National product prices are not apt to respond to the same degree. The USDA Forest Service estimates that national forest product prices will go up less than 10 percent in response to the ISC Conservation Strategy and the public plans. It thus will become more difficult

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for Oregon's forest product manufacturers to compete, and wage pressures will probably be felt by workers. At the same time that prices are increasing, the large high-quality logs that have given manufacturers of Oregon's timber products a competitive edge in the market place will be largely eliminated from the near-term harvest. These are the same logs that produce the lumber for much of Oregon's secondary manufacturers.

State-wide, the economic outlook for Oregon is good. Nevertheless, the changing timber availability associated with the changing management of the public lands may be termed an economic crisis for many individuals, households, businesses, and communities throughout western Oregon. State-wide growth in metropolitan areas will, however, diminish the overall economic impact. While the implications for the state in aggregate may not be alarming, many rural communities may face a bleak future, and the social implications have state-wide ramifications.

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Figure 1. Oregon's northern spotted owl habitat conservation areas (HCA's) as delineated in the ISC Conservation Strategy (Thomas et al. 1990).

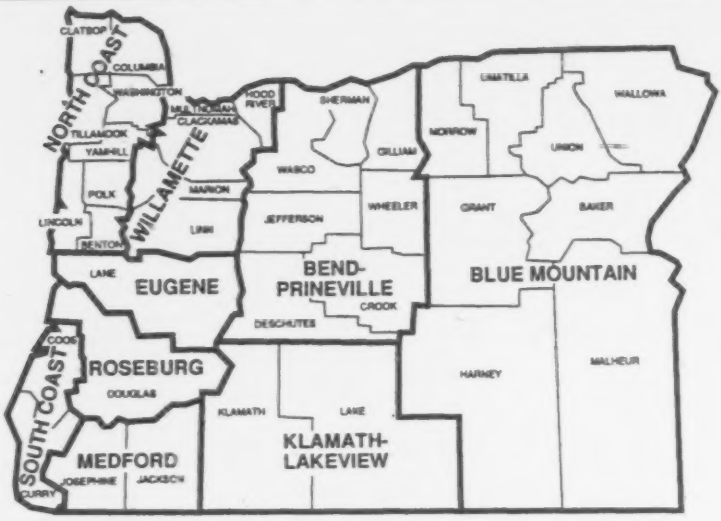


Figure 2. Geographic timbersheds used for assessing timber availability in Oregon.

Figure 3. Economic regions used for assessing economic impacts of changing timber availability in Oregon.

PERSONAL DATA SHEET

Brian J. Greber

Brian Greber is a forest economist who specializes in the analysis of timber markets, forest product markets, and production management. He has a broad range of geographic, academic, and industrial experiences.

Dr. Greber began his forestry training in a forest technician's program at Paul Smith's College in New York's Adirondack region, then received his B.S.F. degree in Forest Management and his M.S. degree in Forest Economics from West Virginia University in 1978 and 1980, respectively. His Ph.D. degree in Forest Economics was received from Virginia's Polytechnic Institute and State University in 1983.

Dr. Greber's work experience includes being a forest hydrology research assistant in West Virginia (1977-78), a private landowner consultant in North Carolina (1980), an Assistant Professor of Forest Economics at Virginia Polytechnic Institute and State University (1983-1985) and at Oregon State University (1986-1988). He was an operations scheduler at Clear Pine Mouldings (a large moulding and millwork producer) in eastern Oregon in 1988 and 1989. Currently he is back at Oregon State University as an Assistant Professor of Forest Economics. There he has taught a variety of undergraduate, graduate, and continuing education courses dealing with timber market assessment, market forecasting, harvest scheduling, computer modeling, operations management, and public policy. He is the author of numerous technical and professional publications.

Major research projects have included assessments of technology impacts on forest products industrial productivity; assessments of timber availability and supply in Virginia, Oregon, and the Pacific Northwest; assessments and forecasts of economic activity in Oregon's forest product industries and the resulting economic impacts on other sectors of the Oregon economy; assessments of public timber sales policies; assessment of recreational values of timberland; development of new harvest scheduling techniques; and development of procedures for inventory and valuation of timber when confronted with multiple merchandising options. Currently he is initiating a research program dealing with the economics of the "value-added" sectors of the timber industry.

TESTIMONY OF ROBERT C. BUCHANAN
Director, State of Oregon Economic Development Department

To the U.S. House of Representatives
Subcommittee on Regulation, Business Opportunities, and Energy

July 30, 1990

Chairman Wyden, Members of the Subcommittee, my name is Robert Buchanan. I am Director of the Oregon Economic Development Department. With me is George Wyatt, Administrator of the Partnership, Policy and Planning Division of the Department. I will address the comprehensive, interagency planning effort underway in Oregon to address timber supply and spotted owl impacts, as directed by Governor Neil Goldschmidt. I will highlight points in the attached "Status Report: Oregon Response Plan" which we presented to key committees of the Oregon Legislature the past few weeks. George will follow with his remarks focusing on the Dislocated Workers Desktop Analysis we are conducting and responding to some specific questions posed by your committee staff.

For planning purposes at this time we are using the following estimates of the impact on employment in Oregon, based on only public lands (federal and state) being affected:

	Industry Job Loss	Indirect Job Loss	Total Job Loss
Forest Plans and Productivity	4,500	6,000	10,500
Owl Recovery (Thomas report)	6,600	7,900	14,500
TOTALS	11,100	13,900	25,000

These numbers do not represent a worst case scenario. If the owl recovery plan were to be extended to private land, the estimated impact is an additional industry job loss of 10,800 for a total job loss (including indirect) of 24,840. The total overall job loss would be nearly 50,000.

Our status report describes most of the state programs and many of the federal programs which presently exist that could be directed to the issue. They are grouped into four categories: Timber Supply Mitigation, Community Assistance, Industry Assistance, and Worker Assistance.

At this time the Department does not anticipate offering any new programs to help Northwest workers who will lose their jobs as a result of timber closures. Because we foresaw job loss due to forest management plans, OEDD already has initiated a number of pioneering efforts. Under Community Assistance (page 6), I would particularly cite the Community Initiatives Program and the Regional Strategies Program. Under Industry Assistance (pages 7-8), we list programs to develop and market secondary wood products and business assistance programs, including six regional business development officers. We are requesting state funding in 1991-93 to enhance these programs, which have proven effective and do address needs of timber-dependent areas.

Testimony of Robert Buchanan
July 30, 1990

Training timber workers to do other jobs will not help if those other jobs do not exist. It is probably more effective to have well-financed economic development programs in rural areas than to focus just on training programs. The community and industry programs described in our report serve that purpose.

However, much more needs to be done based on the magnitude of the job loss projected. I definitely believe that the federal government has a special responsibility in a case where environmental protection enforcement has severely impacted workers and entire communities. The federal government needs to take ownership of the solution as well as the problem. Current federal programs may need to be adjusted to target on the Northwest's timber crisis.

There are opportunities for cooperative federal and state intervention programs. For example, we are looking to the U.S. Forest Service to reprioritize conservation, recreation and trail maintenance, and other forest projects to provide immediate job opportunities for timber workers who lose their jobs. Our Parks and Recreation Department and Department of Transportation are reviewing similar-type projects to refocus and target timber-dependent areas to provide short-term employment.

The single most important step the federal government could take to help states respond to the dislocations that may occur is to provide more flexibility in criteria and regulations for existing programs so that states may respond to varying needs.

TESTIMONY OF GEORGE L. WYATT
Administrator, Partnership, Policy and Planning Division
State of Oregon Economic Development Department

To the U.S. House of Representatives
Subcommittee on Regulation, Business Opportunities, and Energy

July 30, 1990

Chairman Wyden, Members of the Subcommittee, my name is George Wyatt. I am Administrator of the Partnership, Policy and Planning Division of the Oregon Department of Economic Development. My testimony today is directed toward the Dislocated Worker Desktop Analysis that we are conducting in Oregon and responding to some specific questions posed by your committee staff.

The Economic Development Department is leading an interagency effort with Employment Division, Bureau of Labor and training programs to develop a profile of Dislocated Workers from the timber industry.

The purpose of the Dislocated Worker Desktop Analysis is to bring together a group of experts that can exercise judgement and experience to put retraining for dislocated timber workers into context, i.e., is the retraining need big or small, is it significant or insignificant, and to learn something about the people who will be impacted. In addition to the delineation of retraining needs, we expect to use this desktop analysis as a starting point for building an interagency action plan to work with "at risk" workers with the lead-in to the plan being an early intervention system. The focus of the desktop analysis is on the primary job loss impact only.

This interagency action plan should provide us with the mechanism and process for matching dislocated worker skills with current and future job market opportunities. This will make it possible to identify the relationships between the number and kinds of jobs being lost and the capability of those losing their jobs with the number and kinds of jobs being created and the identification of compatible jobs both current and future.

While the desktop analysis for dislocated workers is still in process, we are beginning to get a general picture of the nature and scope of the problem. There are three primary risk factors for those workers most at risk: (1) 40+ age group, (2) no high school diploma, and (3) job specificity.

Dislocated workers are expected to fall into one of three broad categories: (1) those who do not need retraining; (2) those who aren't trainable (beyond a refresher on the basics of reading, writing, and arithmetic); and (3) those who need training and are retrainable (Where do we direct these people to go and for what?).

The desktop analysis has clearly pointed out several barriers to working effectively and efficiently with dislocated workers:

- o Inadequate resources necessary for individual assessments
- o Typecasting
- o Inadequate support system during retraining
- o Limited understanding of the emotional bridge that links future opportunity with opportunity lost
- o Time is a critical factor...it is immediate
- o Inability to measure attachment to community for dislocated workers
- o Relocation depends on location
- o Highly resistant population to relocation are most apt to make a career shift in order to stay in the community

Now, to respond to some specific questions you asked.

Are there specific changes in JTPA, Unemployment Compensation and other programs to make them more effective in dealing with dislocated workers?

In the last year JTPA programs have implemented: 1) the Worker Adjustment and Retraining Notification (WARN) Act, which requires certain employers to provide 60-day notice to workers and the State Dislocated Worker Unit in the event of mass layoffs; and 2) the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act, which provides retraining, reemployment, readjustment and relocation assistance to dislocated workers.

While these current programs are successful in reemploying dislocated workers, the following issues must be addressed to adequately meet the needs of the workers, the business community, and support the transition to the workforce of the future:

o Funding is inadequate to serve the numbers of workers being dislocated in Oregon.

During the program year which ended June 30, 1989, 2,400 dislocated workers received JTPA services supported by allocated EDWAA funds and Governor's and national discretionary funds.

As estimated in the Oregon Response Plan, if 4,500 timber industry workers are dislocated in Oregon due to forest management plans and productivity and half of them participate in retraining at $3,000 per person, Oregon will apply to the U.S. Department of Labor for $6,750,000. If half of an additional 6,600 due to the owl conservation plan participate, Oregon will apply for $9.9 million more, for a total of $16,650,000. This is over a five-year period.

o Longer-term training and support services of from two to four years must be made available in order to provide the skills required in long-term potential jobs, with the capability of maintaining the living standard of the dislocated worker.

o Health care must be made available to dislocated workers to support their ability to stay in training. The states of Connecticut and Massachusetts have implemented health care programs as a support service tied to the WARN notification. We suggest this issue be examined, and that a health care system similar to these be implemented at the national level.

Do you believe that retraining efforts, particularly in small, rural communities, can be effective? What sorts of jobs in these areas can be established? Are those jobs likely to provide the same standard of living? How long will the worker retraining process likely take for the typical displaced timber worker?

JTPA programs have successfully retrained and placed rural dislocated workers. Those Oregon Service Delivery Areas (SDAs) with predominantly rural populations have placed an average of 80 percent of dislocated workers served in jobs with long-term potential. In order to successfully serve rural workers, programs must provide support in areas such as transportation and travel, child care, and support for other basic needs.

Examples of rural occupations targeted under the Lumber/Wood Products Discretionary Grant during the last year are: varied mechanics, light manufacturing, sales/service, hospitality/tourism occupations, and entrepreneurial training.

In the near term, the majority of occupations available in rural areas will not provide the same standard of living lumber and wood products workers had in the past. The average wages of rural dislocated workers placed in the last program year range from $6.20 to $8.50.

Lengths of training vary by region and occupation:
- Basic Readjustment services average 4-6 weeks.
- Job Search Assistance average 90 days.
- Occupational and vocational training currently averages 6 to 12 months; an increased availability of longer term training would increase the career options for dislocated workers.
- On-the-job training averages 2-4 months.

What is the federal labor department's record in funding grant requests from Oregon for Title III JTPA discretionary funds to assist dislocated wood product workers?

The attached chart reflects EDWAA funds available in Oregon and discretionary funds applied for and received. In some cases, federal discretionary grant applications to the Department of Labor were not funded in the amount requested. For example, a lumber/wood products discretionary application to serve dislocated workers in Lane County was submitted for $1,185,000 to serve 370 workers, and funded at $700,000, to serve approximately 200 workers.

PY89 EDWAA and III-D Funds
July 1, 1989 through June 30, 1990

7/24/90
RJL

	EDWAA Formula						
	Distributed To SDAs	State Discretionary	State Admin. & Rapid Response	Total EDWAA Formula	Title III-D Lumber/ Wood	DOL Discretionary	Total Current Funds
Employment, Training, & Business Services (ETBS)	$127,608.96	$50,000.00		$177,608.96	$0.00		$177,608.96
Mid-Willamette Jobs Council (MWJC)	$288,312.66	$60,000.00		$348,312.66	$190,591.00	$423,500.00 Caterpillar Grant	$962,403.66
Southern Willamette Private Industry Council (SWPIC)	$258,716.86	$170,000.00		$428,716.86	$418,578.00		$847,294.86
The Job Council (TJC)	$170,381.37	$0.00		$170,381.37	$167,105.00		$337,486.37
The Oregon Consortium (TOC)	$561,806.00	$0.00		$561,806.00	$187,726.00		$749,532.00
The Private Industry Council (TPIC	$500,941.15	$220,000.00		$720,941.15	$0.00		$720,941.15
State JTPA			$242,302.00	$242,302.00	$18,000.00		$260,302.00
TOTAL	$1,907,767.00	$500,000.00	$242,302.00	$2,650,069.00	$982,000.00	$423,500.00	$4,055,569.00

PY90 EDWAA and III-D Funds
July 1, 1990 through June 30, 1991

Employment, Training, & Business Services (ETBS)	$128,924.00			$128,924.00		$223,350.00 Stanley Proto Tool	$352,274.00
Mid-Willamette Jobs Council (MWJC)	$248,448.00			$248,448.00			$248,448.00
Southern Willamette Private Industry Council (SWPIC)	$218,437.00			$218,437.00		$700,000.00 Lumber/Wood Products	$918,437.00
The Job Council (TJC)	$236,228.00			$236,228.00			$236,228.00
The Oregon Consortium (TOC)	$929,000.00			$929,000.00			$929,000.00
The Private Industry Council (TPIC	$612,245.00			$612,245.00		$500,000.00 Tektronix Grant	$1,112,245.00
State JTPA			$1,582,188.00	$1,582,188.00			$1,582,188.00
TOTAL	$2,373,282.00		$1,582,188.00	$3,955,470.00		$1,423,350.00	$5,378,820.00

STATUS REPORT
OREGON RESPONSE PLAN

Oregon's state agencies and legislators are and will continue taking every reasonable step available to maintain the current annual supply of harvestable timber. At the same time, we know that, despite our best efforts, Oregon's timber-related jobs will decline. Productivity increases and changes in the management of federal forest lands are going to result in fewer lumber industry jobs, some mill closures, and economic hardship for many individuals and some communities. This was true even before spotted owls became an issue. The listing of the spotted owl as a threatened specie hastens and exacerbates these anticipated dislocations. But the full impacts of that decision are still being debated at the federal level, with significant input from the state.

Meanwhile, Oregon's state agencies have been developing a comprehensive plan which responds to these changes as best we can within existing resources and which proposes further mitigating actions that could be taken with supplemental resources if the owl protection plan with the most severe impact is implemented. The state's plan includes assessing our existing programs which serve workers, communities, and industry to determine where additional funding would be required to help mitigate the impacts of widespread job loss and help diversify regional and local economies.

A summary of these state and federal programs and projections are compiled in this report. Fiscal summaries are displayed in three categories: "Current Programs" (existing 1989-91 programs); "Proposed Actions" (new or expanded programs to be requested of the federal government or the state legislature no matter what owl preservation plan the federal agencies ultimately adopt); and "Contingent Actions" (new or expanded programs to respond to the additional dislocations caused by adoption of an owl preservation plan).

Sections of this report include:

INTRODUCTION: ECONOMIC IMPACT OF TIMBER DECLINES

I. TIMBER SUPPLY MITIGATION
Description of existing programs, such as reforestation and stewardship, and possible future actions, such as incentives for increased production by small woodland owners and a ban on log exports.

II. COMMUNITY ASSISTANCE
Description of programs designed to help timber-dependent rural communities cope with the long-term structural change facing them due to major job loss in the timber industry.

III. INDUSTRY ASSISTANCE
Description of programs providing funding and technical assistance to private companies to encourage them to create jobs. Both wood products programs and general business assistance are covered.

IV. WORKER ASSISTANCE
Descriptions of programs for immediate jobs, retraining of dislocated workers, unemployment benefits, and coordinated family assistance, including medical and emergency food programs.

INTRODUCTION: ECONOMIC IMPACT OF TIMBER DECLINES

Oregon's timber harvest averaged 8.02 billion board feet (BBF) over the 1983-87 period. In 1988 the harvest was 8.6 BBF; in 1989 it fell to 8.1 BBF. Between 1989 and 1995, according to a recent Oregon State University study, state harvest levels could drop to around 6.3 to 6.9 BBF, depending on decisions made in the coming months. Part of this decline (as shown in the table below) is due to proposed National Forest Plans, recreational and aesthetic uses, and near-term declines in private industrial harvests. The pending recovery plan for the preservation of the spotted owl will add to the anticipated decline.

Industry employment (defined as the lumber and wood products and paper industries for the table below) stood at 76,000 in 1988 and declined by 1,500 during 1989. In spite of diversification efforts, the state's economy remains highly dependent on this industry, which accounts for 35 percent of manufacturing jobs. "Total job loss" in the table includes both the direct (industry) and indirect jobs.

The economic hardship will be concentrated in the state's rural areas. For example, half of the projected job loss in Oregon due to the Jack Ward Thomas owl recovery plan would occur in the rural parts of three counties--Douglas, Lane, and Linn. The timber industry comprises 60 percent of direct manufacturing employment outside of the Portland-Salem metropolitan areas. Including indirect employment effects (with a multiplier of 2.3), 47.3 percent of all nonagricultural jobs outside the Portland-Salem areas are either directly or indirectly linked to the timber industry.

PUBLIC LANDS TIMBER SUPPLY REDUCTIONS AND JOB LOSS
1989-1995

	Timber Reduction	Industry Job Loss	Indirect Job Loss	Total Job Loss
1. Forest Plans and Productivity	.7 BBF	4,500	6,000	10,500
2. Owl Recovery (Thomas Report)	1.2 BBF	6,600	7,900	14,500
TOTAL	1.9 BBF	11,100	13,900	25,000

About 25,000 jobs in the state would be affected either directly or indirectly. Although most of these workers will be reabsorbed into the economy, it will not be without substantial dislocation and individual hardship. Complicating the adjustment is the fact that the impact is heavily concentrated in rural areas, where fewer alternative job opportunities exist.

The numbers outlined above do not represent a worst case scenario. They are based on the assumption that the spotted owl conservation plan applies only to public land (federal and state), that the national economy performs moderately well, and that the state's metropolitan areas continue to exhibit strong economic and population growth. If the recovery plan were to be extended to private land, the impact on the industry would be substantially greater. The Oregon State University study estimates that the timber harvest would drop to 4.5 BBF (a 44 percent decline from the 1989 level) and industry employment would decrease an additional 10,800 for a total job loss (including indirect) of 24,840. The total overall job loss would be nearly 50,000.

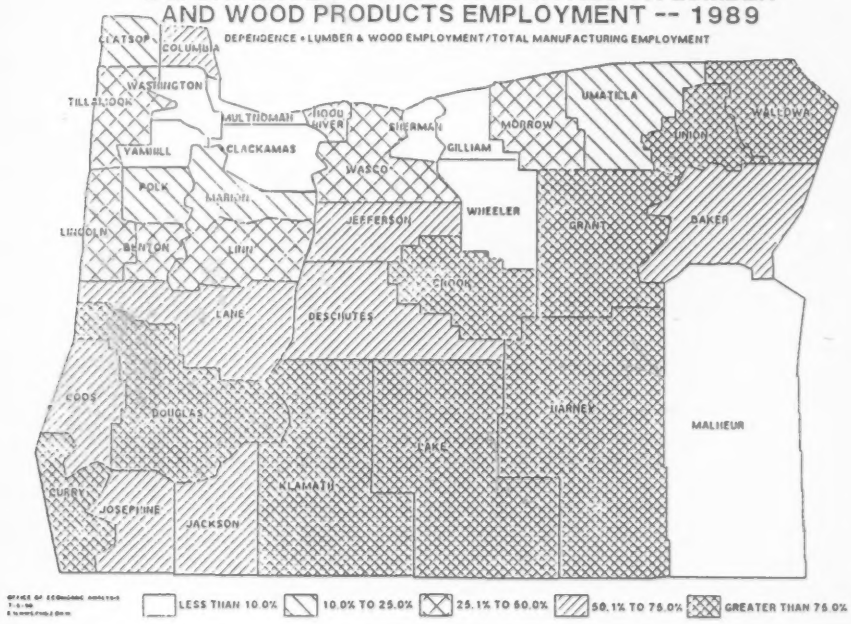
State and Local Government Impact

A declining timber industry also will slow revenue growth to the state General Fund, the major source of revenue for state programs. Using the total job loss figure for direct and indirect jobs of 25,000, state personal income (current dollars) would fall by an estimated $1.2 billion by 1995. This translates into approximately $100 million less state General Fund revenue annually. State Other Funds revenue (including gasoline and business fees) also will be reduced by slower growth in overall economic activity. Less revenue will inhibit the state's ability to provide assistance to workers, communities, and industry.

Local governments in the timber-dependent communities will be affected to a proportionally far greater extent than state government. In 1989, Oregon's county governments received $271.7 million in federal timber payments. Payments are expected to fall by $65 million annually as a result of harvest declines.

MAP 1

DEPENDENCE OF OREGON COUNTIES ON LUMBER AND WOOD PRODUCTS EMPLOYMENT -- 1989



I. TIMBER SUPPLY MITIGATION

CURRENT PROGRAMS

o **Oregon Forest Practices Act** - Oregon became a pioneer in developing forest practices law in 1971 when the Legislature passed the Oregon Forest Practices Act. This law requires successful reforestation and authorizes the State Board of Forestry to set specific rules covering five types of operations: Reforestation, road construction and road maintenance; harvesting; application of chemicals; and disposal of slash. The act regulates forest practices on all forest lands in Oregon. By agreement, major federal land managers meet or exceed these practices on their lands. Current program: 1989-91, $6.2 million state funds. Proposed action: Requesting $9.6 million, 1991-93. Contingent action: Estimated $1.5 million.

o **Governor's Federal Forest Planning Team** - Oregon is unique among states for its comprehensive coordinated response to the forest plans. The Governor signed an Executive Order in the Spring of 1987 that directed all natural resource agencies and the state economist to prepare a coordinated response to the forest plans. State responses to all 13 Forest Plans have been made and state alternatives have been prepared and released for 7 forests. The team has raised concerns regarding harvest reductions, water quality, wildlife habitat, and recreational needs. The entry of the Bureau of Land Management into the planning cycle is expected to maintain or increase activity for the next several years. Current program: 1989-91, $1.3 million state funds. Proposed action: Requesting $1.6 million, 1991-93.

o **Small Woodland Owner Assistance** - This is intended to assist the non-industrial private forest landowners to increase the productivity of their lands by using good management practices. Owners are assisted in developing management plans. Current program: 1989-91, $1.3 million state, $1.3 million federal funds. Proposed action: Requesting $2.7 million state, $1.6 million federal funds. Contingent action: $1 million.

o **Stewardship Initiative** - The National Stewardship Initiative, developed by the National Association of State Foresters and approved by Congress, requires states to develop a five-year stewardship plan. In December 1989 the Emergency Board approved the Department of Forestry's request for funds to identify and map nonproductive and underproductive forest lands and to contact landowners to promote opportunities to increase productivity. Current program: $369,000 state funds for one year of 1989-91, $650,000 federal funds. Proposed action: Requesting $1.3 million state funds, $1.8 million federal funds, 1991-93.

o **State Forest Land Management** - Oregon manages 786,000 acres of state-owned forest lands with the revenues from these lands going to the Common School Fund, the counties, and the local taxing districts. The majority of these lands are just now coming into production age. Increasing investments in intensive forest management practices will increase, and accelerate, future harvest levels and revenues from these lands. Current program: 1989-91, $26.2 million state funds. Proposed action: $31.6 million, 1991-93.

POSSIBLE FUTURE ACTIONS

o **Small Woodland Productivity Increase** - The Legislative Interim Committee on Forest Products Policy, chaired by Rep. Bernie Agrons and Sen. Bill Bradbury, is developing legislation to increase productivity and total timber supply. It is estimated that increasing the intensity of silvicultural practices on small woodland eventually could double their 1983-87 harvest of 360 million board feet per year. Technical assistance, tax incentives, and loans from bond sales are being considered as bills for the 1991 Session.

o **Log Export Ban** - The Governor has called for the federal government to ban the export of timber from all federal and state forest lands to stop job and log exports. There is legislation in Congress at this time.

o **Forest Research Laboratory** - The Oregon State University College of Forestry is proposing additional needed forest research to meet Oregon's needs for current, relevant forest research. The program thrusts include: wood quality in a value-added environment, understanding people's values and perceptions about forest resources, and enhancing forest values through integrated resource management. Current program: 1989-91, $10.2 million state funds. Proposed action: 1991-93 budget request not available.

Timber Supply Mitigation Fiscal Summary (see last page)

II. COMMUNITY ASSISTANCE

The community assistance programs are designed to help timber-dependent rural communities cope with the long-term structural change facing them due to major job loss in the wood products industry. The objectives of these programs are:

- Building the capacity of local leadership to improve economic development endeavors through strategic planning.
- Targeting funds for implementation of diversification strategies.
- Financing infrastructure development to serve community needs and enhance economic opportunities.

COMMUNITY ASSISTANCE PROGRAMS

o **Community Initiatives** - Currently a pilot program working with 19 timber dependent communities in southern Oregon and 30 in eastern Oregon. Program includes a SWOT analysis (economic strengths, weaknesses, opportunities and threats) of the community, followed by leadership training and strategic planning for economic diversification. Current program: 1989-91, $750,000. Received additional $225,000 from Emergency Board for implementation in 1989-91. Proposed action: Requesting $4 million, 1991-93, Lottery Funds.

o **Community Development Block Grant** - Existing federally-funded program which provides grants to cities and counties in rural areas for community development projects which benefit low and moderate income people. Annual budget = $11.5 million based on formula grant from the federal government. Could amend rules for the 1991 program to give higher priority to projects from distressed areas.

o **Community Facilities** - Provides grants to communities statewide for acquisition, construction or renovation of community facilities. Projects must be tied to an economic development strategy or plan and have substantial local commitment. Current program: 1989-91, $1.5 million ("hard") Lottery Fund. Proposed action: Requesting $4 million, 1991-93, Lottery Fund. Statute or rules could be amended to give higher priority to projects in distressed areas.

o **Regional Strategies** - Funds targeted to single and multi-county regions for projects that relate to a single industry strategy that can help diversify the economy. Some assistance provided for regional strategic planning and technical assistance. Current program: 1989-91, $23.85 million. Proposed action: Requesting $15 million, 1991-93, Lottery Fund.

o **Tourism** - The Oregon Tourism Division administers a Matching Fund Program that awards funds to nonprofit organizations in Oregon for tourism marketing and development programs. In addition, Division staff provide technical assistance to rural towns to market and plan for tourism development. Current program: 1989-91, $125,000.

Community Assistance Fiscal Summary (see last page)

III. INDUSTRY ASSISTANCE

The goal of industry assistance is to provide funding and technical assistance to private companies to encourage them to create jobs. OEDD has two types of programs. One group is expressly to encourage the development of value-added and secondary wood products manufacturing. The other is general business assistance available to all qualified Oregon businesses.

SECONDARY WOOD PRODUCTS PROGRAMS

o **Forest Products Opportunity Fund** - Current program: OEDD is using $300,000 of this in 1989-91 (main projects described below); Proposed action: For 1991-93, $500,000 is requested.

o **USFS Southwestern Oregon Grant** - In partnership with CCD Business Development Corporation and five counties (Coos, Curry, Douglas, Jackson, Josephine), OEDD is implementing firm-specific secondary wood products opportunities. Current program: 1989-91, $145,000 ($60,000 each from USFS and OEDD, $25,000 counties).

o **Coordinator** - OEDD and Wood Products Information Center jointly will hire a "circuit rider" to strengthen the competitive advantage of Oregon's secondary wood products industry. Current program: 1989-91, $100,000.

o **Direct Assistance** - Small grants are being made to implement selected projects that Southwestern Oregon communities have identified through SWOT analysis and strategic planning. Current program: 1989-91, $64,000.

o **Curriculum** - OEDD is working with industry and education to develop a wood products curriculum for Oregon State University and University of Oregon to increase awareness of wood use in construction. Current program: 1989-91, $13,680.

o **Secondary Wood Processing Seminars** - OEDD will co-sponsor seminars at the Sawmill Clinic and Forest Products Machinery Show to target areas such as the do-it-yourself market for home remodeling and the treated lumber and furniture markets. Current program: 1989-91, $45,680.

o **Wood Products Directory** - OEDD is preparing a directory providing company location, species utilized, and product production mix for primary and secondary wood producers in Oregon. Current program: Estimated $44,000.

o **Forest Products Export Program** - OEDD International Trade Division has committed significant resources to marketing programs to expand overseas markets for Oregon wood products. Current program: 1989-91, $400,000.

BUSINESS ASSISTANCE PROGRAMS

o **Business Development Officers** - Six regional business development officers assist individual firms and concentrate on business expansion, retention, and creation.

BUSINESS ASSISTANCE PROGRAMS (continued)

o **Oregon Business Development Fund** - Aids small business growth and expansion in rural communities through loans. Current program: 1989-91, $1.75 million. Proposed action: Requesting $5 million, 1991-93, Lottery Funds.

o **Special Public Works Fund** - Provides loans and grant to municipalities for public infrastructure projects needed to support economic development and job creation. Current program: 1989-91, $15 million. Proposed action: Requesting $25 million, 1991-93, Lottery Funds.

o **Industrial Retention Service** - Turn-around consultants provide technical assistance to economically viable, but financially troubled, companies which might close or experience a major layoff without help. Funds also may be provided to determine feasibility of restarting a closed facility by changing the firm's ownership structure, technology, markets, or products. Current program: 1989-91, $460,000. Proposed action: Requesting $100,000, 1991-93, Lottery Funds.

o **Oregon Marketplace** - Connects Oregon businesses with local suppliers of the goods and services they need. Current program: 1989-91, $750,000.

o **Oregon Community Development Block Grant Program** - Federal grants of up to $500,000 are available year-round to non-urban cities and counties for the purpose of loaning funds to a business or constructing infrastructure for a business. Approximately $1.05 million is available for the 1990 program year. A similar amount may be available in 1991.

o **International Trade Program** - OEDD's International Trade Division primarily serves as a matchmaker between Oregon suppliers and potential overseas customers by hosting international delegations and organizing trade shows, trade missions, and technical symposia. Current program: 1989-91, $ 3.4 million. Proposed action: Requesting $ 4.4 million, 1991-93.

o **Oregon Capital Access Fund** - A pooled-loan loss reserve fund designed to make additional capital available to small businesses and assist banks in making more risky loans. Current program: 1989-91, $1.5 million. Proposed action: Requesting $1 million, 1991-93.

o **Small Business Development Centers** - The SBDC Network provides assistance to Oregon's small businesses, including business counseling, training, and referrals. All 16 of Oregon's community colleges and three of the state's colleges are Network members.

Industry Assistance Fiscal Summary (see last page)

IV. WORKER ASSISTANCE

The programs identified for individual worker assistance are designed to provide needed individual and family services at the time of dislocation or severance from the traditional worksite.

The features of the worker assistance portion of the overall strategy are:

o **Immediate Jobs Program** - This joint proposal of Oregon and Washington would provide jobs for dislocated workers through Region VI of the U.S. Forest Service. In Oregon, 500 jobs for young adults would be created plus 100 additional jobs for dislocated workers as crew leaders or supervisors. Additional jobs for dislocated workers also could be created on forest service projects through direct contract negotiation.

Current program: None of these projects are being directed specifically for timber workers. Jobs in this proposal are not currently underway. Proposed action: For FY 1991, $48.9 million for Oregon. Contingent action: To continue through FY 1992, $56.95 million, and 1993, $64.55 million. (Note: These cost estimates include engineering and supplies in addition to wages paid to workers.)

o **JTPA Dislocated Worker Project** - Currently serves dislocated workers statewide for all industries. OEDD will continue to request additional federal funds for timber/wood products workers for outreach, assessment, counseling, job placement, retraining, and limited support services (child care and transportation).

Current program: Title III allocation for 1990-91 = $4 million. Additional discretionary grants total $2.5 million. Proposed action: If half of 4,500 dislocated workers participate, Oregon will apply for $6,750,000. Contingent action: If half of additional 6,600 due to owl plan participate, Oregon will apply for $9.9 million more, for a total of $16,650,000.

o **Coordinated Family Assistance** - The following services would be described in a packet and handed to workers when they file unemployment insurance claims. The packet will contain information to inform them of the following services:

- Assistance in obtaining welfare information and food stamps.
- Information on federal emergency food programs.
- Available mental health programs.
- Information on available medical insurance coverage.
- Employment services, including available jobs, unemployment insurance benefits, and JTPA training.

The cost of providing this information and selected services:
(58% federal funds, 42% state funds)
Current--$115,000 (cost of information packet/staff training coordination)
Proposed action, 1991-93 -- $14.4 million (cost of services)
Contingent action -- Cumulative $36 million (cost of services)

o **Unemployment Insurance Benefits** - All qualified workers will be registered for unemployment insurance benefits which are payable for up to 26 weeks or until other employment has been found. For dislocated workers, unemployment benefits may be paid without the normal work search under the Vocational Unemployment Insurance training provisions.

Current program -- Of $213.4 million annual program total, $32.8 million went to timber workers. Proposed action, 1991-93 -- $23 million additional. Contingent action -- Cumulative total (25,000 jobs lost 1990-1995) of $108.2 million.

o Community Colleges, Targeted Training, and Skill Centers are designed to provide assistance to achieve specific training needs in the community. They include:

-- Targeted training provides grants for customized training for individual firms through local community colleges. Current program - $1.1 million. Proposed action, 1991-93 - $1.8 million. Contingent action - $ 8.9 million.

Included could be entrepreneurship training or small business management training which could assist dislocated workers and others to develop their own businesses or become self-employed.

-- Community college based skill centers for training. Current related program - $1.2 million, of which $578,000 is used for rural areas in Yamhill, Grants Pass, and Coos Bay. Proposed action, 1991-93 - $1.2 million.

-- The 16 community college districts cover 85 percent of the population of the state, including vocational education, basic skills/literacy education, and short term occupational training.

o State System of Higher Education - Besides instruction and research to assist individuals and businesses, the state institutions carry out public service activities, such as the regional colleges' regional service institutes, including small business assistance.

o Contingency Plan Employment Projects - To meet contingency needs if necessary, the Oregon Department of Transportation and State Parks and Recreation Department could move forward a number of maintenance and construction projects in their long-term plans to target timber-dependent regions and provide jobs for dislocated workers.

Worker Assistance Fiscal Summary (see last page)

FISCAL SUMMARY
OREGON RESPONSE PLAN

	(In Millions of Dollars) State	Federal	Total
Timber Supply Mitigation			
Current	$ 45.6	$ 1.9	$ 47.5
Proposed addition	11.0	1.3	12.3
SUBTOTAL (1991-93)	56.6	3.2	59.8
Contingent addition	2.5	-	2.5
TOTAL	$ 59.1	$ 3.2	$ 62.3
Community Assistance			
Current	$ 26.7	$ 11.5	$ 38.2
Proposed addition	-3.6	-	-3.6
SUBTOTAL (1991-93)	$ 23.1	$ 11.5	$ 34.6
Contingent addition	-	-	-
TOTAL	$ 23.1	$ 11.5	$ 34.6
Industry Assistance			
Current	$ 22.8	$ 1.1	$ 23.9
Proposed addition	10.4	-	10.4
SUBTOTAL (1991-93)	$ 33.2	$ 1.1	$ 34.3
Contingent addition	-	-	-
TOTAL	$ 33.2	$ 1.1	$ 34.3
Worker Assistance			
Current	$ 1.8	$ 39.4	$ 41.2
Proposed addition	6.7	87.0	93.7
SUBTOTAL (1991-93)	8.5	126.4	134.9
Contingent addition	18.1	228.9	247.0
TOTAL	$ 26.6	$355.3	$381.9
TOTALS - 4 Sections			
Current	$ 96.9	$ 53.9	$150.8
Proposed addition	23.5	88.3	111.8
SUBTOTAL	$120.4	$142.2	$262.6
Contingent addition	20.6	228.9	249.5
TOTAL	$141.0	$371.1	$512.1

TESTIMONY OF ISIAH TURNER, COMMISSIONER
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WORKER RETRAINING AND JOB RETENTION OPPORTUNITIES IN PACIFIC NORTHWEST TIMBER COMMUNITIES

July 30, 1990

Prepared For:

United States House of Representatives,
Committee on Small Business,
Subcommittee on Regulation
Business Opportunities and Energy

Washington, D.C.

1. TO WHAT EXTENT HAS YOUR DEPARTMENT CONDUCTED SPECIAL PLANNING AND ANALYSIS ON THE SPOTTED OWL ISSUE AND ITS IMPACT ON EMPLOYMENT?

The Washington State Employment Security Department, in coordination with Governor Booth Gardner's Timber Team, have been developing systematic strategies and options to reduce prolonged unemployment for citizens of Pacific Northwest Timber dependent communities.

The theme of the Governor's program has been stability and balance.

A BALANCED APPROACH TO FEDERAL FORESTRY MANAGEMENT: We are suggesting a phase-down of harvest on federal lands in order to promote stability for communities as well as protect owls and old growth.

LOG EXPORT RESTRICTIONS: We have succeeded in promoting legislation which would restrict 3/4 of the exports from state lands. This would provide greater stability by ensuring that federal supplies would be to some extent replaced by logs formerly exported.

STABILITY OF PRIVATE TIMBER SUPPLY: Federal supplies constitute only 1/3 of the supply to our mills and 1/5 of our state harvest. The vast majority of our supply comes from private lands. It is even more important than ever to assure a stability of supply from those sources.

COMMUNITY STABILITY: A comprehensive worker, community and business assistance package to empower communities and families to respond to change. We are striving for a federal/state/local government partnership to provide the means for local communities to make their own decisions for the future. Whenever possible, the decisions should be made by the affected communities themselves.

WORKER ASSISTANCE: The point here is that the burden of policy decisions made by our entire society should not be borne solely by those who work in the woods. The rest of society should be willing to share in the costs.

The overall strategy is to secure resources to help workers make the transition to new employment opportunities as well as ease the pain of the transition.

This strategy leads us to promote two types of programs: first, programs which provide training and encouragement for workers to engage in training, and second, programs which ease the pain of transition.

COMMUNITY EMPOWERMENT: The strategy here is to help build the capacity for communities to successfully build new economic opportunities. The role of the state is to get the process moving and provide initial capital and technical assistance.

Very few, if any, communities are solely dependent on federal timber. However, a few are significantly dependent and loss of those economic opportunities can be crippling unless communities can be proactive in building new alternatives. Past examples demonstrate that the psychological impact of economic dislocation is often more debilitating than the actual economic events. The damage is done by the loss of confidence and the creation of a bad investment climate.

The first type of program includes comprehensive retraining assistance as well as support services which keep people in training such as daily subsistence, transportation expenses and day care. If we try to short change workers on these fronts we will end up paying more as workers will not be able to afford training.

The second type of program should include medical coverage for dislocated workers, assistance on rent and mortgage payments to prevent homelessness, alcohol and substance abuse, counseling and other necessities. These services may seem extravagant to people who already have them, but they are not amenities, they are necessities. Since the strategy is to transition people to other occupations, we can only provide these services for a limited period of time.

VALUE-ADDED: Log export restrictions will not directly replace the jobs lost from federal supply cutbacks. We need to do more than that. We can provide for adequate jobs on a smaller federal land base, but only if we have adequate time to shift our forestry economy from harvesting and exporting raw logs and raw lumber to higher value-added wood products. That does not happen overnight. As we phase out federal timber supplies we need to aggressively promote a high, value-added forest products industry which provides more jobs from more wood processing.

The Governor's economic development strategy for timber communities has always been focused on opportunities for value-added. It has a great deal of potential and is culturally compatible with what people are used to doing. For this program to succeed, it needs to be accompanied by a program to assure the financial community that the 11 percent overall timber supply decline caused by the spotted owl is not a hindrance to additional value-added.

The more value you add to a raw material the more that material is worth and the more employment and income is earned from that raw material. The value of a high value-added product consists almost entirely of high-skilled labor and a small proportion of raw materials. The value of low value-added products consists primarily of the raw material.

The less developed the economy of a nation, the more dependent that nation is on exporting raw materials. As a nation becomes more sophisticated, it develops the skills needed to turn the raw materials into finished products and identify specialized, high value market niches. Shipping raw logs to the docks and marketing the raw logs overseas actually adds value to the logs and brings in greater income to the state. The ability and knowledge involved in logging, transporting, marketing and financing those logs are high skilled professions which add considerable value to the logs. Further, processing the raw logs by milling them into lumber adds even more value. And, taking the lumber and processing it into window frames, doors, furniture and modular housing adds even more value. Each of those steps additional transporting, processing, marketing and financing.

In fact, the movement from exporting raw materials-dominated products, to exporting more sophisticated human resource-dominated products can be described as a pyramid, with raw materials on the bottom and sophisticated services and technological information at the top.

If the state's wood products industry were confined to harvesting raw materials and simply exporting them, the state would have had a $2 billion dollar wood products industry in 1986. The wood products industry was in fact a $20 billion industry that year. The difference was the value added to wood in primary and secondary processing. If the state's wood products industry reached its full potential to turn raw materials into manufactured products, it could produce billions in additional value from the same wood resources harvested.

The Employment Security Department has a multitude of existing programs to provide full employment and economic stability for the citizens of the state. In order to respond to the pending economic transition which will impact timber dependent communities, the Department service delivery priorities are:

- To find employment for job seekers;
- To assist employers in filling jobs;
- To provide opportunities for job-related education and training;
- To operate the unemployment insurance program and compensate eligible workers in a timely and fair manner;
- To collect, analyze, and disseminate employment, labor market and occupational information;
- To carry out the Governor's responsibilities under the Federal Job Training Partnership Act (JTPA) including intervention, training strategies, and services to assist dislocated workers to become reemployed.

The Employment Security Department and other Washington State agencies are gearing up for the many challenges presented by diminishing federal timber supplies. Under the direction and support of the Governor's response activities, the Employment Security Department has been working in partnership with other state agencies, the wood products industry, local governments, business, organized labor, the workers themselves, local communities and the federal government.

The actual employment losses due to the outcome of the spotted owl issue are difficult now to predict. We are awaiting the results of the September 1, 1990 federal decision regarding the timing and degree of spotted owl timber reductions plans. We have been assessing the potential scenario impacts for the timber dependent communities. On a national scale the potential effects of owl protection will be small, but the average will be of little comfort to towns such as Forks or Humptulips and the families that will be severely hurt.

One key of the Washington State approach is the development and support of local leadership skills including implementation of local economic diversification projects. Worker assistance activities include a comprehensive package of strategies to assist timber workers find suitable employment.

2. DO YOU HAVE AN ESTIMATE OF THE IMPACT ON EMPLOYMENT IN THE STATE OF WASHINGTON?

The summary is an estimation of employment impact of timber harvest variation in Washington State. The following figures are based on the assumption that the Federal Interagency Scientific Commission Report would be utilized as the spotted owl conservation plan. At this time, we are waiting the federal decision to be made September 1, 1990, to announce the actual interim plan.

In the three-year period ending in 1989, Washington's annual timber harvest averaged seven billion board-feet (bbf). Annual exports averaged 2.6 billion board-feet.

Average annual employment in the lumber and wood products industry was 42,160 (41,060 nonagricultural workers and 1,100 sole proprietors). Of these 42,160 individuals, 11,740 were in logging operations and 30,420 were in milling and processing.

Based on these harvest and employment figures, each million board-feet of harvest represents:

- 1.7 logging jobs and 7.0 lumber processing (mill) jobs.
- $282,932 in direct wages and benefits ($24,230 in wages and $8,460 in benefits per worker).
- 16.9 indirect jobs (jobs multiplier of 2.95*).
- $418,740 in indirect and induced wages and benefits (income multiplier of 2.48*).

  * (The 2.95 jobs multiplier and 2.48 income multiplier are from the Washington Input-Output Study for 1982, Professor Phillip J. Borque, University of Washington.)

The Interagency Scientific Commission (ISC) report proposed reduced harvest levels on federal and state lands. In 1989, an estimated 1,286.6 million board-feet (mbf) of timber was cut from United States Forest Service (USFS) lands and 840 mbf from state lands in Washington. The ISC proposal would allow a harvest of 542.4 million board-feet of timber from USFS lands. This represents a decline of 57.8 percent relative to the 1989 harvest level. The proposed state harvest would be between 685 and 781 million board-feet.

Declines of this magnitude could result in losses of:

- 1,350 - 1,520 logging and 5,610 - 6,280 milling jobs (6,960 - 7,800 total).
- Up to $254,328,000 in direct wages and benefits.
- Between 13,600 and 15,200 indirect and induced jobs.
- Upwards of $376,406,000 in indirect and induced wages and benefits.

NOTE: The figures above in question 2 are based on nonagricultural wage and salary jobs and estimates of sole proprietors or self-employed individuals. Because of the higher rural concentration of self-employed lumber and wood products workers, it should be recognized that this analysis could underestimate the total economic impact of any harvest decline.

Until the decision is announced on September 1, 1990, the actual employment impacts are only best guesses.

3. WHAT STATE AND FEDERAL PROGRAMS PRESENTLY EXIST WHICH MAY BE IMPLEMENTED IN THIS SPECIFIC DISPLACEMENT ISSUE?

TRADE ACT ACTIVITIES: Trade Adjustment Assistance (TAA) is available to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports. TAA includes a variety of benefits and reemployment services such as: Training/Retraining; Job Search Assistance; Relocation Assistance; Trade Readjustment Allowance.

A company representative, a union representative or any three employees may apply for Trade Act Certification by filing a request with the Department of Labor (DOL). The DOL will research each petition; it is not necessary for the employees or the company to prove the impact of imports on the company.

EMPLOYMENT SERVICES: The Wagner-Peyser Act established a system of publicly funded employment offices. The primary mandate of Wagner-Peyser is to act as a labor exchange to match job seekers and employers through a network of local Job Service Centers. Employment services include a system for clearing labor between the states. Wagner-Peyser services also include certification of employment eligibility and the administration of the "work test" to unemployment insurance claimants. Related services such as employment counseling and testing are provided within budget constraints.

UNEMPLOYMENT INSURANCE: The federal/state unemployment insurance program was originally designed to counteract the economic and social effects of unemployment through short-term payments to unemployed individuals while they seek work. The unemployment insurance program consists of two major components, the Benefit Payment System and the Employer Tax System. The Benefit Payment System provides payments directly to qualified unemployed workers. The Employer Tax System registers and collects quarterly taxes from employers. The employer taxes support the Unemployment Insurance Trust Fund, which is used to pay benefits.

VETERANS SERVICE: Veterans Employment Representative and Disabled Veterans Outreach Programs give priority service to veterans, particularly Vietnam era and disabled veterans. (See Attachment 8)

PUBLIC ASSISTANCE EMPLOYMENT AND TRAINING: The Family Independence Program (FIP) is a five-year demonstration project launched in 1988 as an alternative to the Aid to Families with Dependent Children (AFDC) program.

The Opportunities Program is jointly administered by the Department of Social and Health Services and the Employment Security Department. The program consolidates the Work Incentive (WIN) Program, the Employment and Training Program, the Community Work Experience Program and the Employment Partnership Program. Like the FIP Program, the purpose of Opportunities Program is to assist AFDC recipients to become self-sufficient.

JOB TRAINING PARTNERSHIP ACT (JTPA) SERVICE DELIVERY PROGRAMS: JTPA is a federal employment and training program which Employment Security passes through federal funds to 12 Service Delivery Areas in which Private Industry Councils address needs of local communities. JTPA provides funds to prepare economically disadvantaged adults and youths to overcome barriers to employment. The intent is to operate employment and training programs to prepare economically disadvantaged youths and adults overcome barriers to employment. The services are unique to each SDA with classroom training, on-the-job training, workplace literacy, job counseling and vocational exploration activities.

ECONOMIC DISLOCATION AND WORKER ADJUSTMENT ASSISTANCE ACT (EDWAA): This Act became law in August 1988 as a comprehensive new dislocated worker training program to replace Title III of the Job Training Partnership Act which established programs for dislocated workers. This legislation was passed as a part of a comprehensive trade reform bill. The new program, called the Worker Adjustment Program, was required to be fully implemented by July 1, 1989.

In Washington, sixty percent of the EDWAA funds are allocated to substate areas (the Private Industry Councils) and 40 percent may be reserved by the Governor to provide state or industrywide projects. Funds are available to develop, fund, and evaluate employment and training intervention strategies for dislocated workers. Activities include:

- Developing and funding labor-management (community) committees;
- Responding to plant closures and mass layoffs; and
- Integrating and coordinating Dislocated Worker programs and Trade Adjustment services.

4. ARE THERE OPPORTUNITIES FOR COOPERATIVE FEDERAL AND STATE INTERVENTION PROGRAMS? WHAT IS THE SINGLE MOST IMPORTANT STEP THE FEDERAL GOVERNMENT COULD TAKE IN HELPING STATES RESPOND TO THE DISLOCATIONS THAT MAY OCCUR AS A RESULT OF FEDERAL TIMBER SUPPLY DECISIONS?

   This Pacific Northwest timber situation provides the opportunity for true partnership between federal and state agencies to jointly plan and administer employment and training assistance with adequate daily subsistence for workers in long-term retraining activities. The most important step the federal government could undertake is to earmark funds for specific economic dislocations and providing for income benefits to workers in retraining activities. The establishment of environmental dislocation job training program would assist in reducing the pain of this economic transition.

5. ARE THERE SPECIFIC CHANGES IN JTPA, UNEMPLOYMENT COMPENSATION AND OTHER PROGRAMS TO MAKE THEM MORE EFFECTIVE IN DEALING WITH DISLOCATED TIMBER WORKERS?

   SPECIFIC CHANGES IN JTPA-EDWAA: The majority of dislocated timber workers do not qualify for needs-related payments. The law allows needs-related payments to be provided to eligible dislocated workers who either (1) do not qualify for unemployment compensation, or (2) have ceased to qualify for unemployment compensation, in order to enable such a worker to participate in training or educational programs. An eligible dislocated worker who has ceased to qualify for unemployment compensation must have been enrolled in training by the end of the 13th week of the worker's initial unemployment compensation benefit period, or, if later, the end of the 8th week after an employee is informed that a short-term layoff will in fact exceed six months.

   We are finding that many dislocated timber workers have, at a prior time, qualified for unemployment insurance compensation. But now they have exhausted their unemployment compensation, do not have enough hours to file a new claim, and did not enroll in training by the 13th week of their initial claim. To be more effective in serving dislocated timber workers, Section 314(e) of JTPA/EDWAA on need-related payment should be rewritten to allow these payments to be given to dislocated (timber) workers who were unable to enroll in training by the 13th week of their initial claim.

The needs-related payments and supportive services limitation on the use of funds (not more than 25 percent of the total funds expended), should be lifted. In order for eligible dislocated timber workers to attend and commit to long-term training, needs-related payments and supportive services must be available. The costs would often exceed 25 percent of the total expenditures.

SPECIFIC CHANGES FOR WAGNER-PEYSER: The Employment Service has traditionally and historically performed the role of a public labor exchange, and is well suited to assist and support reemployment activities for workers dislocated from the timber industry.

The resources to support the Employment Service are provided through funding under the Wagner-Peyser. This funding has been significantly reduced beginning in Fiscal Year 1983. From our perspective, a significant increase is needed in Wagner-Peyser funding to support the Employment Service.

In relation to specific impacts that may occur due to federal timber supply decisions, another approach may be best. As Title III of JTPA provides for discretionary funding to address unanticipated dislocations a similar type of discretionary fund for Wagner-Peyser could provide additional resources for labor exchange assistance. Such a discretionary fund would appear to be possible utilizing the provisions of Section 7.b. of the amended Wagner-Peyser Act. The Department strongly advocates that consideration be given to this type of a Wagner-Peyser discretionary fund. The Department also strongly suggests that if such a fund is established, it be supported by additional funding appropriations and not held back from the already inadequate funding of the Employment Service.

6. WOULD YOU SUPPORT A NEW FEDERAL INITIATIVE -- PERHAPS MODELED AFTER THE TRADE ADJUSTMENT ASSISTANCE PROGRAM -- TO PROVIDE RETRAINING AND INCOME SUPPORT ASSISTANCE TO DISLOCATED TIMBER WORKERS?

   Yes. The concept of combining training and income assistance in retraining activities is necessary to ensure continued long-term client enrollment. Major job training efforts require lengths of time from one to two years of attendance for displaced workers. A substantial proportion of dislocated workers are poorly equipped to learn new job skills, except for relatively elementary ones, because many have deficiencies in basic education, or use only a narrow range of job skills that do not transfer to difficult demand occupations. Trade Adjustment support has made it possible for some workers to complete longer term training than could otherwise be afforded. The length of long-term training goes beyond the unemployment insurance payments for only 30 weeks.

7. DO YOU BELIEVE THAT RETRAINING EFFORTS, PARTICULARLY IN SMALL, RURAL COMMUNITIES, CAN BE EFFECTIVE? WHAT SORTS OF JOBS IN THESE AREAS CAN BE ESTABLISHED? ARE THOSE JOBS LIKELY TO PROVIDE THE SAME STANDARD OF LIVING? HOW LONG WILL THE WORKER RETRAINING PROCESS LIKELY TAKE FOR THE TYPICAL DISPLACED TIMBER WORKER?

   The lack of economic diversity in small and rural communities requires special strategies for successful retraining. Equal focus is given to training for new industry, and to businesses or institutions whose needs for trained employees are not being met. The Department has a special Business Resource Network Unit that coordinates agency resources with other economic development agencies and organizations.

   Individual training examples that lead to local "family wage" jobs of comparable living standard include:

Auto Mechanic	Accounting
Business Management	Carpentry
Computer Repair	Electronics
Fish/Wildlife Management	Heating/Air Conditioning
Machinist	Sheetmetal

   Training for these jobs must include extensive readjustment (getting past denial) and basic skill development, and in-depth occupational skills training. Typical training time ranges from one to two years. Workers need both support services and interim jobs to complete a successful retraining plan.

8. DOES THE DEPARTMENT ANTICIPATE OFFERING ANY NEW PROGRAMS TO HELP NORTHWEST WORKERS WHO WILL LOSE THEIR JOBS AS A RESULT OF TIMBER CLOSURES?

The Department has a history of developing creative strategies to meet the needs of dislocated workers. Each industry or community has specific needs in addition to those common to most all dislocated workers. We have two projects; one in place and one about to start, that are examples of focusing on special dislocation needs.

NEW CHANCE: Forest industry workers have a heavy investment in their jobs and lifestyle. Therefore, dislocated timber workers usually experience an extensive period of "denial" and need a considerable period of readjustment. The New Chance workshop is 8-10 weeks in length and helps with readjustment, self-esteem, plus more practical matters of basic skills, vocational planning, labor market information, and financial planning. Ninty-five percent of graduates either go on to training or obtain suitable employment.

SPECIAL OUTREACH PILOT PROJECT: Many timber workers live in isolated rural areas. Special outreach strategies are required to assume access to services. A special outreach pilot is about to start. The plan includes itinerant sites in small communities and a mobile unit. Each will be able to provide basic services and initial preparation for workers to engage in more extensive planning and training in larger (but still small) communities where full services are available. We expect to learn much about removing the barriers of isolation of rural dislocation.

9. ARE CURRENT PROGRAMS ADEQUATE? DO YOU BELIEVE THAT THE FEDERAL GOVERNMENT HAS A SPECIAL RESPONSIBILITY IN A CASE WHERE ENVIRONMENTAL PROTECTION ENFORCEMENT HAS SEVERELY IMPACTED WORKERS AND ENTIRE COMMUNITIES?

The need to serve estimated thousands of displaced forest industry workers far exceeds the current resources in dislocated workers programs. The existing Job Training Partnership Act Title III program does not provide sufficient income support payments for workers in long-term training. The Trade Act Assistance Program only serves a small number of the total dislocated worker population. One issue is, will additional financial resources be increased in relationship to demand for services? We believe that current programs do not have adequate resources to respond to expected client demands.

In regard to federal special responsibility in environmental protection impacts on workers and communities, we believe additional federal response is appropriate. We concur with the Congressional Research Service's May 25, 1990 letter, entitled "Designing a benefit program for workers dislocated by Federal Environmental Policies," that outlines the benefits of a new approach.

> "The Government is considering stricter regulation of economic activity in order to preserve or restore environmental quality. It is likely that pressure to strengthen environmental protection measures will increase. The question has arisen of whether unemployment caused by new environment regulations should be singled out for special Government compensation."
>
> "Policymakers concerned with economic losses of workers dislocated by environmental policies likely will consider whether to rely on the existing network of programs and seek their improvement or design a new approach to the problem. Either strategy would require substantive legislation."
>
> "The size of the environmental dislocation problem, while potentially significant, may or may not be large enough nationally to improve chances of success in making major improvements in UC, JTPA, or aid to the needy. Pursuit of a special purpose program may be a more realistic legislative strategy."
>
> "A new program to aid workers displaced by environmental policies could be designed to cover such situations generally under a single set of rules. The TAA program for trade-impacted workers is the current program most in keeping with this approach."

We concur with the following observation made by Jim Storey, Specialist in Social Legislation, Education, and Public Welfare Division, Congressional Research Service, Library of Congress, in a letter dated May 25, 1990.

"Unemployment caused by environmental regulation can often be concentrated in specific industries and/or regions, particularly when new environmental controls emerge in response to specific economic activities. Sometimes, the viability of major segments of an industry or community may be threatened by restrictions aimed at environmental protection or improvement. Three current examples--control of acid rain, preservation of habitat of the spotted owl, and preservation of habitat of the red-cockaded woodpecker--are discussed below."

"Each of these situations could be dealt with separately, but Congress also could consider a general plan that could compensate uniformly any group of workers able to demonstrate loss of work because of Federal policies to promote environmental quality. The advantage of a general plan would be that Congress could apply the same rules to similarly affected workers through a single agency and perhaps avoid the excesses and inefficiencies that have accompanied ad hoc employee protection efforts in the past."

We welcome the study and review of the establishment of a new program to assist workers due to federal environmental protection actions.

10. WHAT IS THE FEDERAL LABOR DEPARTMENT'S RECORD IN FUNDING GRANT REQUESTS FROM WASHINGTON FOR TITLE III JTPA DISCRETIONARY FUNDS TO ASSIST DISLOCATED WOOD PRODUCT WORKERS?

In 1987 and 1988, the state of Washington Employment Security Department submitted two separate grant proposals for Title III, JTPA discretionary funds. Both discretionary grants could be expended over a two year period. In 1987, the Department submitted a statewide comprehensive proposal to serve dislocated workers from 22 anticipated plant closures and mass layoffs. However, not all of these closures or layoffs were in the wood products industry. Originally, only three of these plant closures/layoffs were in this industry.

Since the approval for the original statewide comprehensive grant, several modifications were submitted to the Department of Labor. Not all of the anticipated closures/layoffs occurred and, in addition, unanticipated closures/layoffs happened. Continued modifications to redirect funds was necessary. To date, services were provided to workers from five closures/layoffs in the wood products industry.

In 1988, the Department requested discretionary funds for layoffs anticipated at the Hanford Nuclear site. The funds were granted but only after a significant number of workers had been dislocated. In addition, the layoffs never reached the level projected in the original grant proposal. The Department requested a modification to redirect the use of the Hanford grant to serve dislocated workers in the wood products industry.

The Department of Labor allowed the state to redirect a portion of the Hanford grant to serve dislocated wood products workers. However, again, approval to redirect funds was delayed and not all of the funds could be redirected to the wood products industry.

The current grant application and modification process for Title III JTPA discretionary funds does not respond effectively to allow for early intervention. We recommend a "fast track" application/modification process be implemented to allow for early intervention of services.

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for

Subcommittee on Regulation, Business Opportunities and Energy
Committee on Small Business
United States House of Representatives

concerning

Job Retention and Worker Retraining Opportunities in Pacific Northwest Timber Communities

July 30, 1990

Introduction

I am a professional economist and policy analyst employed by the University of Washington. As Research Director for the Northwest Policy Center, an applied policy research center serving five states in the Pacific Northwest, I have been working on a number of issues relating to dislocated timber workers, economic diversification opportunities in timber dependent regions, and training and retraining policy issues.

At the request of the committee, I have prepared answers to several questions concerning timber industry workers whose jobs may be threatened by the spotted owl habitat designations and other impending reductions in timber supply in the Pacific Northwest.

Summary of research on job dislocation potential in spotted owl areas and retraining opportunities and problems.

Between 8,000 and 16,000 jobs will be lost in Washington's wood products industry because of the designation of the spotted owl as a threatened species, actions to preserve old growth habitat, and other changes in timber supply in line with long-term sustained yield goals. The directly affected workers include loggers, sawmill operatives, plywood plant operatives, workers in other solid wood product plants, and workers in pulp and paper plants. When indirect and induced effects are taken into consideration, job losses will total between 17,000 and 34,600.

The magnitude and significance of the indirect and induced impacts are less certain than the direct effects. Sectors closely tied to wood products will be severely impacted, especially such firms in the timber dependent regions. On the other hand, part of the indirect impact and much of the induced impact will be manifested in urban areas which supply goods and services to the timber dependent regions. Urban firms have many other opportunities to replace the lost revenue. Oregon will be hit even harder than Washington because the wood products industry is larger in that state and is more dependent on federal timberlands than is the case in Washington.

- The impacts will be modest at a state level, but severe at a regional level, and devastating for small, rural communities that are especially dependent on federal timber supplies. Several communities on the Olympic Peninsula are likely to experience the most severe impacts in Washington State.

The difficulties faced by dislocated timber workers in the Northwest are different from those faced by other workers dislocated because of federal environmental actions in several respects. First, timber workers tend to have stronger occupational attachments than do those in other affected industries. Second, their basic academic skills are deficient. Third, wood products companies are, for the most part, small and medium-sized establishments, rather than large manufacturing firms. And fourth, these companies are located in small, rural communities that are highly dependent on the wood products industry, rather than located in large, economically diverse urban areas, as is generally the case with manufacturing firms. These differences will need to be taken into account when designing policy initiatives aimed at both meeting the retraining needs of dislocated timber workers and helping timber-dependent communities diversify their economies.

Key features that should be incorporated into the strategy for meeting the retraining and other needs of dislocated workers include:

- Business, labor, and government involvement in cooperative efforts to resolve local dislocation problems;
- Economic diversification efforts to increase employment opportunities in timber-dependent communities;
- Training options that include basic academic as well as vocational training;
- Income assistance for dislocated workers while in training; and
- Timely provision of assistance, including pre-certification of eligibility while workers are still employed, and counseling to aid workers in identifying alternatives before actual dislocations occur.

How many forest products industry workers are likely to be dislocated in the next several years?

Under contract to the Washington State Department of Trade and Economic Development, the Northwest Policy Center has been conducting an analysis of economic and social impacts of plans to preserve habitats for the spotted owl and other impending changes to timber supply in the state of Washington. A full report on these issues will be available from the Department in the near future. I will summarize the key findings here.

Impending public policy decisions to protect threatened species and other environmental resources will likely reduce the land base available for timber production in Washington. Using statewide and regional input/output models, the Northwest Policy Center has assessed the likely economic impacts of these impending timber supply reductions. We have taken into consideration the supply reductions planned by the U.S. Forest Service prior to the listing of the Spotted Owl, likely impacts on state-owned timberlands, possible impacts on private lands which could result from modification of the state forest practice act or other mechanisms, and the impacts of banning exports from state lands to preserve logs for domestic processing. Through simulation of a variety of scenarios, we have assessed the likely direct job losses, and the multiplier effects of those direct losses.

Direct job losses relative to the 1983-87 base period are estimated to range from 8,117 if only U.S. Forest Service lands are affected by spotted owl protection measures, to 16,015 if new conservation regimens extend to all forest lands in the state. About 4,900 of those lost jobs were threatened by U.S. Forest Service land management plans in preparation at the time of the the U.S. Fish and Wildlife's determination of the spotted owl's status. The draft plans called for harvest reductions to get back to sustained yield levels after a period of more intensive cutting, and for further reductions to protect owl habitat.

Total impacts to employment, once multiplier relationships on other industries are taken into account, range from 17,500 for impacts only on U.S. Forest Service lands to 34,600 if all

landowners are affected. These indirect and induced impacts are somewhat less certain than the direct impacts because many of the individuals and businesses impacted by multiplier relationships will have more alternative income sources to turn to than will the directly impacted persons and firms.

These impacts can be viewed as extremely small as a percentage of the statewide employment level of 2.3 million in 1989, or as very substantial at the regional and local level in the timber dependent regions of the state. Particularly in the Olympic Peninsula and the Southwest regions of the state, the economic basis of locally timber dependent communities and counties will be very severely dislocated. Substantial unemployment, business closings, public sector financial distress, and social problems are likely consequences unless mitigating steps are taken.

Detailed Economic Impact Analysis

This section presents more detail on the economic impact analysis. The analysis of economic impacts in this report pertain to the state as a whole and to four timber dependent regions within the state. Figure 1 depicts these four regions. A summary of the salient economic characteristics of each of these regions is provided in this section.

State of Washington

General economic characteristics of the state are summarized in Table 1. Between 1983 and 1987, the average timber harvest level was 6.09 billion board feet. More than sixty percent of the harvest came from private lands, over 19 percent from Forest Service lands, and 14 percent came from State lands. In contrast, the 1988-1989 average harvest levels show that harvests from both Forest Service and the State declined, while private harvest levels increased.

Table 1: Characteristics of Washington State, 1988

Population	4,647,900
Civilian Labor force	2,315,000
Unemployment rate	6.18%
Total Personal Income ($000)	76,542,000
Per capita Income	$16,767
Total Covered Employment	1,911,582
Employment in lumber and wood products	41,190
Employment in Paper and allied products	16,730
Percent of lumber and paper related jobs to total employment	3.03%
Timber harvest, mmbf.	
1983-1987 average	6,090
1988-1989 average	6,917

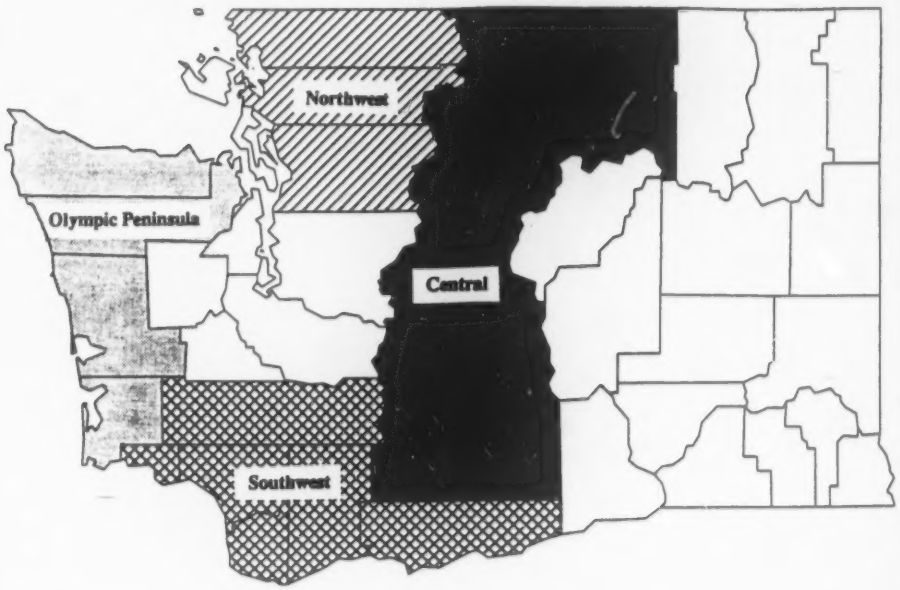
Late in the 19th century, natural resource-based industries dominated Washington's economy. Agriculture, forestry, and fisheries provided 35 percent of the jobs in the state in 1890, and Washington was the leading lumber producing state in the country at the turn of the century.[1] Nearly a century later in 1989, only 3 percent of Washington State non-agricultural wage and salary employment was found in the lumber and wood products, and paper and allied products sectors in this region. This percentage steadily decreased over the years due to productivity increases in the wood products sectors and expansions of other sectors of the economy (Table 2).

Table 2: Wood Products and Total Non-agricultural Employment in Washington

	Lumber and & Wood Products (000s)	Paper & Allied Products (000s)	Total Non-Agricultural (000s)	Lumber + Paper as % of Total (%)
1960	44.4	18.0	812.6	7.7
1970	42.2	19.8	1,080.0	5.7
1980	47.0	17.6	1,608.3	4.0
1989	41.1	18.3	2,045.3	2.9

[1]Philip J. Bourque, "Washington's Economic Development: A Retrospective," in Walter Williams, et al. (ed.), *Washington Policy Choices*, Seattle: Institute for Public Policy and Management, Graduate School of Public Affairs, University of Washington, 1990, pp. 20-40 (22, 24).

Figure 1: Timber-Dependent Regions in Washington State with Spotted Owl Habitat



Olympic Peninsula Region

The four counties that constitute the Olympic Peninsula region in our analysis are Clallam, Jefferson, Grays Harbor, and Pacific. Although Mason County shares many characteristics of the four counties, it was excluded from the study region due to the predominance of private timber ownership and little processing capacity. This region includes the Olympic National Forest. Between 1983 and 1987 average harvest level was 1.877 billion board feet in the region (Table 3). Of this total, a total of nearly 64 percent came from private lands; more than 20 percent of the harvest came from State lands; and 11 percent came from Forest Service lands. The 1988-1989 average harvest levels show that private harvest levels increased and state and federal harvest levels decreased from the 1983-1987 average.

Table 3: Characteristics of the Olympic Peninsula Region, 1988

Population	154,000
Civilian Labor force	64,530
Unemployment rate	8.49%
Total Personal Income ($000)	$2,194,000
Per capita Income	$14,247
Total Covered Employment	48,635
Employment in lumber and wood products	6,097
Employment in Paper and allied products	2,258
Percent of lumber and paper related jobs to total employment	17.18%
Timber harvest, mmbf.	
1983-1987 average	1,878
1988-1989 average	1,981

In 1988 over 17 percent of the region's employees were working in the lumber and wood products, and paper and allied products sectors in this region, as compared to the statewide level of 3 percent. This region has the highest proportion of timber related jobs of all four regions studied.

Northwest Region

The three counties that constitute the Northwest region in our analysis are: Skagit, Snohomish, and Whatcom. This region includes the Mount Baker-Snoqualmie National Forest. Between 1983 and 1987, average harvest level was 594 million board feet harvested in the region (Table 4). About 51 percent of the total harvest came from private lands, almost 25 percent came from State lands, and 23 percent came from Forest Service lands. State and private average harvest levels increased, and federal harvest levels decreased between 1988-1989.

Table 4: Characteristics of the Northwest Region, 1988

Population	599,400
Civilian Labor force	312,430
Unemployment rate	5.99%
Total Personal Income ($000)	$9,733,000
Per capita Income	$16,238
Total Covered Employment	207,634
Employment in lumber and wood products	5,555
Employment in Paper and allied products	2,230
Percent of lumber and paper related jobs to total employment	3.75%
Timber harvest, mmbf.	
1983-1987 average	594
1988-1989 average	657

In 1988 almost four percent of the region's employed were working in the lumber and wood products, and paper and allied products sectors in this region. This is slightly higher than the level of employment in these sectors for the state of Washington.

Southwest Region

The six counties that constitute the Southwest region in our analysis are: Clark, Cowlitz, Klickitat, Lewis, Skamania, and Wahkiakum. The major national forest in this region is the Gifford Pinchot National Forest. Between 1983 and 1987, average harvest level was 1.789 billion board feet harvested in the region (Table 5). Almost 70 percent came from private lands,

more than 20 percent of the harvest came from Forest Service, and nearly 10 percent came from State lands. The 1988-1989 average harvest levels show that harvest from both private and Forest Service lands declined, while state harvest levels increased.

In 1988 over 12 percent of the region's employed were working in the lumber and wood products, and paper and allied products sectors in this region. This is higher than the state proportion, and second to the Olympic Peninsula region.

Table 5: Characteristics of the Southwest Region, 1988

Population	380,500
Civilian Labor force	187,220
Unemployment rate	6.91%
Total Personal Income ($000)	$5,513,000
Per capita Income	$14,489
Total Covered Employment	127,025
Employment in lumber and wood products	9,451
Employment in Paper and allied products	6,233
Percent of lumber and paper related jobs to total employment	12.35%
Timber harvest, mmbf.	
1983-1987 average	1,789
1988-1989 average	1,943

Central Region

The four counties that constitute the Central region in our analysis are: Okanogan, Chelan, Kittitas, and Yakima. The major National Forests in the region are the Wenatchee and Okanogan National Forests. Between 1983 and 1987, average harvest level was 662 million board feet harvested in the region (Table 6). Almost 42 percent came from Forest Service lands, more than 30 percent of the harvest came from Private lands, and nearly 9 percent came from State lands. The 1988-1989 average harvest levels show that harvest from both private and Forest Service lands increased, while state harvest levels decreased.

In 1988 over 3 percent of the region's employed were working in the lumber and wood products, and paper and allied products sectors in this region. This is the lowest proportion of timber related jobs in the timber dependent regions that we studied, and is very close to the statewide proportion.

Table 6: Characteristics of the Central region, 1988

Population	292,700
Civilian Labor force	148,700
Unemployment rate	10.69%
Total Personal Income ($000)	$3,937,000
Per capita Income	$13,522
Total Covered Employment	117,234
Employment in lumber and wood products	3,194
Employment in Paper and allied products	719
Percent of lumber and paper related jobs to total employment	3.34%
Timber harvest, mmbf.	
1983-1987 average	663
1988-1989 average	676

Job and Income impacts

The direct employment results describe the industry specific jobs in the local economy that are eliminated under each scenario. In this input/output model, the industries being directly impacted are the lumber and wood products, and paper and allied products sectors. Indirect impacts result from reduced purchases of inputs by the directly impacted sectors. Induced impacts result from reduced consumption spending of individuals caused by both the direct and indirect impacts. Total impacts discussed below are the sum of the direct, indirect, and induced impacts in the local economy.

Cautionary notes

As one moves from direct impacts to indirect and induced impacts, the certainty of the impact is reduced. While the input/output methodology reflects the best guesses of professional economists about the size of these impacts, we are much more certain about the size of the direct impacts resulting from specified harvest level reductions than we are about the impacted industry's reduction in inputs (indirect impacts) because the directly affected industry may alter its production process. The indirect impact estimates assume unchanged production processes. The induced impacts are even more speculative because the affected consumers may choose to leave the area in search of better employment prospects, or they may alter their consumption patterns. Once again, the input/output model does not measure these behavioral responses. What such a model does capture is the size of the impacts before any behavioral changes on the part of industry and consumers occur. In that sense, it is an accurate measure of the initial shock to a local economy. However, the behavioral responses will occur, and this methodology does not necessarily provide accurate forecasts of future reported employment or income levels.

Description of the Alternative Scenarios

This report analyzes the economic impacts from a change in harvest levels under several alternative scenarios. It is unknown at this time the degree to which various types of landowners will be affected by policies to protect habitat and to ensure sustained yields. Therefore, a range of potential impacts were estimated under alternative scenarios. Sources for our estimates of harvest levels are U.S. Forest Service, Washington State Department of Natural Resources, and The Timber Data Company. Base period and projected harvest levels under each alternative scenario are shown in Tables 7 and 8.

The basis for comparison for each of the alternatives is the 1983 to 1987 average harvest level. This base period was chosen because it represents a fairly stable harvest level during a time when there were no extreme high or low levels of timber harvest. Because harvest levels in

the early eighties were abnormally low, and current levels are abnormally high, no single historical year is a good basis for comparison. For these reasons the 1983 to 1987 average was chosen as the base period for harvests.

Alternative 1 identifies proposed management direction for each class of landowner prior to the report of the Interagency Scientific Committee chaired by Jack Ward Thomas (hereafter, ISC Report). Forest Service harvest levels are actual or projected harvest levels set out in each forest's most recent land and resource management plan. Private industrial and non-industrial private harvest levels are projected harvest levels for 1991-2000, and estimated planned harvest levels for 1991 are used for harvest levels for state lands.

Alternative 2a, (Public conservation, Forest Service) builds on the first alternative, and considers the reduction on Forest Service lands if the ISC Report's Spotted Owl Conservation strategy is implemented. Only Forest Service harvests change from proposed management under this alternative.

Alternative 2b (Public conservation, Forest Service and State lands) builds on the second alternative (2a), but includes potential decreases in harvest levels from state lands within Habitat Conservation Areas (HCA's).

The third alternative has two parts: a short-term private land timber harvest response to a reduced supply of timber, and a long-term private response. Alternative 3a (Price response, short-term) assumes that the Spotted Owl Conservation Strategy only effects public lands, and private harvest levels are not restricted. It further assumes that the price of logs increases in the short term due to loss of supply of timber from federal and state lands. Private landowners therefore harvest more under this alternative. (In one region the net change is positive, however the other regions show a net loss.) This short-term response results in a long-term response (Alternative 3b).

The second part of the third alternative, (3b, Price response, long-term) also assumes that private harvest levels are not restricted. As in alternative 3a public harvest levels are affected. However, the private landowner's response, after harvesting higher levels in the short term, results in reduced harvests in the long term. Under this alternative, long-term private harvest levels are reduced from the levels cited in alternative 2a.

The last two alternatives assume that the ISC Report Spotted Owl Conservation Strategy is implemented and that areas outside, as well as inside, the HCA's are affected by the 50-11-40 rule. This rule is assumed to apply to all landowners in this scenario. The 50-11-40 rule is described in the ISC's Report "at least 50 percent of the forest landbase outside of HCA's ... maintained in stands of timber with an average d.b.h. of 11 inches or greater and at least 40 percent canopy closure." These last two scenarios assume extension of the land management rules recommended for federal timberlands in the ISC Report to private lands. The possible mechanisms for implementing such extensions include amendments to the state's forest practices act, litigation, and changes to other state or federal regulations. Under alternative 4a (Public and Private Conservation, Private Industrial), the 50-11-40 rule is assumed to apply to only private industrial lands, and under alternative 4b (Public and Private Conservation, all), it is assumed to apply to all private lands including small non-industrial land owners. Both alternatives include additional impacts to lands outside HCA's, including state-owned and private lands.

Estimated Economic Impacts

Considering all our assumptions, estimates, and alternatives, the Olympic Peninsula region has the largest decline in harvest levels: harvest level impacts could range from a decrease of 21 percent in proposed management (alternative 1) to a decrease of as much as 52 percent in the case with the most extensive conservation strategy (Table 7). The Northwest region has the lowest decline in harvest level in the first alternative: harvest level impacts could range from a decrease of less than 1 percent under proposed management to a decrease of as much as 32

percent in the most extensive conservation case. Looking at the impacts by ownership, impacts of potential Forest Service harvest reductions (alternative 2a) as compared to proposed management is only 4 percent (Table 8).

On a statewide basis, direct job losses vary from a loss of 8 percent to 31 percent under the range of scenarios when compared to the base (Table 9). When compared to the proposed management scenario, the impacts in the other scenarios drop to a range of 6 percent to 25 percent.

Total job losses when compared to 1988 covered employment in the regions and the state range from a loss of less than 1 percent to a loss of 18 percent in the most extensive conservation case (Table 10). The Olympic Peninsula and Southwest regions will potentially suffer the largest absolute job losses, and the greatest percentage decline in likely in the Olympiic Peninsula region.

Direct impacts to personal income for the state range from $223 million to over $780 million in the various scenarios (Table 11). The regional impacts could range from a loss as low as $630 thousand in the Northwest region, to a loss as high as $205 million in the most extensive conservation case (Southwest region). Comparing the second alternative (2a) to proposed management, the statewide direct impact would be $125 million. The direct impacts to the regions under alternative 2a when compared to proposed management range from losses as low as $6.5 million (Central) to $55.8 million (Southwest).

When indirect and induced impacts are taken into account, the statewide total personal income losses potentially range from $544 million if only forest service harvests are reduced, to an upper limit in the most extensive conservation case of nearly $1.4 billion if all land ownerships are affected (Table 12). These impacts are about twice the size of the direct impacts. Regional impacts are correspondingly larger as well.

Significance of the economic impacts

The significance of these impacts varies depending on the region chosen for analysis (Table 13). At the state level, a loss of 8 to 16 thousand direct jobs and 17 to 34 thousand total direct, indirect, and induced jobs amounts to losses of 0.3 to 1.5 percent of the currently employed workforce. If none of those workers found alternative employment and they all stayed within the Washington workforce, the statewide unemployment rate would increase by roughly the same percentages.

These losses are less than commonly experienced in a business cycle, and less than the fluctuations at Washington's largest private sector employer within the last two decades. However, at the regional level, losses of 2,800 to nearly 5,000 in the Olympic Peninsula region could result in the unemployment rate for this region jumping from the 10.7 percent level of early 1990 to 15 to 23 percent. The Southwest region's unemployment rate could climb from 7.3 percent to 8.5 to 12.1 percent. The other two region are less affected, but adding unemployment to the Central region's current rate in excess of 15 percent would be an additional burden, however small, on a regional economy that is not doing well.

Table 7: Historic and Projected Harvest Levels, Statewide (MMBF)

Statewide	Base 1/	Proposed Management ALT 1	Public Conservation FS only ALT2A	FS & State ALT2B	Price Response Short Term ALT3A	Long Term ALT3B	Public & Private Conservation For. Ind. ALT4A	Non-Ind. Prv ALT4B
Forest Service	1,177	854	521	521	521	521	521	521
State	860	800	800	645	645	645	515	515
Priv. Ind.	2,865	2,698	2,698	2,698	2,511	2,094	1,727	1,727
Priv. Non-Ind.	945	891	891	891	1,162	1,093	891	585
Other Public	244	244	244	244	244	244	244	244
Total	6,091	5,487	5,154	4,999	5,083	4,597	3,898	3,592

1/ 1983 to 1987 average harvest

Table 8: Historic and Projected Harvest Levels by Region. (MMBF)

Region	Base 1/	Proposed Management ALT 1	Public Conservation FS only ALT2A	FS & State ALT2B	Price Response Short Term ALT3A	Long Term ALT3B	Public & Private Conservation For. Ind. ALT4A	Non-Ind. Prv ALT4B
Olympic Penin.	1,878	1,481	1,426	1,348	1,343	1,195	994	898
Northwest	594	593	557	557	575	512	442	404
Southwest	1,789	1,671	1,529	1,475	1,469	1,305	1,099	994
Central	663	589	511	511	541	493	511	511

1/ 1983 to 1987 average harvest

Table 9: Impacts to Employment, Direct 1/
(Number of Jobs)

	1988 Covered Employment	Proposed Management ALT 1	Public Conservation FS only ALT2A	FS & State ALT2B	Price Response Short Term ALT3A	Long Term ALT3B	Public & Private Conservation For. Ind. ALT4A	Non-Ind. Prv ALT4B
Statewide	57,920	-4,894	-8117	-9,092	-8563	-11619	-16015	-17,939
Olympic Penin.	8,355	-2,296	-2837	-3,154	-3174	-3776	-4594	-4,984
Northwest	7,785	-9	-329	-329	-169	-729	-1351	-1,689
Southwest	15,684	-926	-2407	-2,774	-2815	-3929	-5328	-6,024
Central	3,913	-148	-304	-304	-244	-340	-304	-304

1/ Includes lumber and wood products, and paper and allied products

Table 10: Impacts to Employment, Total
(Number of Jobs)

	1988 Covered Employment	Proposed Management ALT 1	Public Conservation FS only ALT2A	FS & State ALT2B	Price Response Short Term ALT3A	Long Term ALT3B	Public & Private Conservation For. Ind. ALT4A	Non-Ind. Prv ALT4B
Statewide	1,905,154	-10,497	-17339	-19,469	-18314	-24991	-34596	-38,801
Olympic Penin.	48,601	-4,064	-4969	-5,562	-5599	-6725	-8254	-8,983
Northwest	207,576	-16	-600	-600	-308	-1330	-2464	-3,081
Southwest	126,963	-1,704	-4330	-5,020	-5097	-7194	-9828	-11,171
Central	117,177	-304	-624	-624	-501	-697	-624	-624

Table 11: Direct Impacts to Personal Income, 1988 dollars (Thousands)

	Proposed Management ALT 1	Public Conservation FS only ALT2A	FS & State ALT2B	Price Response Short Term ALT3A	Long Term ALT3B	Public & Private Conservation For. Ind. ALT4A	Non-Ind. Prv ALT4B
Statewide	-223919.8	-349477.43	-392053.73	-353868.49	-497160.18	-696904.89	-782858.07
Olympic Penin.	-72076.46	-89058.46	-99284.05	-125133.08	-118655.66	-147440.15	-159958.31
Northwest	-424.55	-15295.93	-15295.93	-7641.9	-33721.4	-62420.98	-78020.16
Southwest	-34885.88	-90696.01	-105264.14	-119941.44	-146979.21	-204802.92	-232253.11
Central	-6198.43	-12736.5	-12736.5	-10310.5	-14398.31	-12785.02	-12785.02

Table 12: Impacts to Total Income, Total, 1988 dollars (Thousands)

	1988 Total Income	Proposed Management ALT 1	Public Conservation FS only ALT2A	FS & State ALT2B	Price Response Short Term ALT3A	Long Term ALT3B	Public & Private Conservation For. Ind. ALT4A	Non-Ind. Prv ALT4B
Statewide	76542000	-439542.68	-544115.41	-771419.48	-713134.83	-1328028.79	-1370411.01	-1540340.18
Olympic Penin.	2194000	-135722.57	-165986.92	-186244.02	-215950.39	-224853.81	-280858.02	-305700.26
Northwest	9733000	-630.76	-23495.81	-23495.81	-11911.66	-51964.92	-96239.42	-120293.21
Southwest	5513000	-60892.6	-154718.15	-180094.11	-194431.77	-256003.65	-355154.27	-403686.4
Central	3936000	-11135.34	-22840.79	-22840.79	-18413.34	-25679.21	-22889.31	-22889.31

Table 13: Possible Unemployment Effects of Timber Worker Dislocations

	Labor Force	Total Employment	Unemployment Rate	Dislocated Timber Workers		New Unemployment Rate	
				Low	High	Low	High
Statewide	2,491,800	2,331,400	6.4	8,117	34,596	6.8	7.8
Olympic Pen.	69,340	61,930	10.7	2837	8254	14.8	22.6
Northwest	342,990	322,690	5.9	329	2464	6.0	6.6
Southwest	202,300	187,580	7.3	2407	9828	8.5	12.1
Central	150,040	127,470	15.0	304	624	15.2	15.5

In what ways are the retraining and other needs of dislocated workers in the Pacific Northwest similar to those of workers who may lose their jobs as a result of the Clean Air Act, defense industry cuts, and other federal actions that will result in significant job losses? In what ways are those needs different?

The retraining and other needs of dislocated timber workers in the Northwest are similar to those of other workers dislocated because of federal environmental actions in at least two respects. First, all dislocated workers, the product of either massive layoffs or plant closures, are not easily absorbed into the local labor market. Therefore, some intervention--counseling, testing, job search assistance, training, support services, and/or relocation assistance--is required. Second, all of those affected work in the manufacturing sectors. Because it is unlikely that they will be able to move into comparable manufacturing jobs, comparable in the sense of either skills required or wages paid, retraining will be critical.

Perhaps more notable, though, are the differences in the needs of dislocated timber workers and other dislocated workers. For most workers in the wood products industry, logging and milling is more than a job, it is a way of life. Many are second and third generation timber workers. Their identity and self-worth are largely defined in terms of their jobs. As a result, changes in the wood products industry will not be readily acknowledged or accepted by those in the industry. Policy interventions will need to take this into account. One step in this direction is making sure that business and labor are local partners in any actions undertaken.

Timber workers are without question skilled workers. However, the skills required in these jobs are not easily transferable to jobs in other industries. In addition, most jobs in the wood products industry do not require high levels of literacy. And, growing up in communities where it has been expected that children would follow their parents into the woods and mills, little priority has been placed on formal schooling. Together, these factors suggest that the training needs of dislocated timber workers will be more extensive than those of many other dislocated workers. Particularly important is basic academic skills training.

Unlike other industries affected by federal environmental actions, the timber industry is based in small, rural communities. As a result, there are fewer employment alternatives, thus increasing the likelihood of relocation. Therefore, part of the solution to the problems of dislocated timber workers in the Northwest is relocation assistance. It is not, however, the only, or even necessarily the best, solution. Other components of the solution are retraining and self-employment programs. Efforts at diversifying the economies of timber-dependent communities are also vital. Developing value-added/secondary wood processing is one such possibility, along with other manufacturing sectors, back office activities, tourism, and attraction of retirees.

Can retraining efforts, particularly in small, rural communities, be effective?

In order to be effective, retraining efforts aimed at dislocated workers must include basic skills upgrading as well as occupational training, and these retraining efforts must be linked to economic diversification programs and guided by labor market information. Western Europe provides a number of examples of dealing with dislocation through a combination of retraining and economic diversification. The shipyards of Gothenburg, Sweden and Hamburg, West Germany have completely shut down over the last decade. As a result, hundreds of thousands of workers had to be retrained and placed in new industries. The comprehensive strategies employed in these two places to deal with the dislocation produced excellent results; these strategies are well worth studying as a model of effective response to economic dislocation.

If the differences between shipyard workers in Sweden and West Germany and timber workers in the Northwest seem to be too great, consider the following:

> They are people with solid...skills, great...pride, in many cases born into families that had worked in [the industry] for generations. They had jobs that involved relatively great freedom and a high degree of individual responsibility. They are people who are unfamiliar with assembly lines and monotonous jobs.

While this passage could easily have been written about the logger in Forks, Washington or the mill worker in Oakridge, Oregon, it actually describes shipyard workers in Uddevalla, Sweden.

The European dislocation response programs started with basic skills upgrading for workers who did not have basic academic skills equivalent to current 16-year-old compulsory school graduates. Once academic competence was achieved or demonstrated, workers went on to specific vocational programs of up to two years duration. During the entire time of skills upgrading and vocational training, workers received unemployment compensation payments.

Linkage to the labor market was accomplished by placing the responsibility for dislocated workers in the local employment office. Those offices employed counselors who met with each

worker, determined his or her competencies and interest, and developed a training program that met that individual's interests and abilities. The employment office then sent the worker to the designated programs. Currently in both West Germany and Sweden, the employment offices can purchase training services from any one of a number of providers, although at the time of the shipyard closures in Sweden, the major adult vocational training and retraining institution was part of the Ministry of Labor. Once the worker successfully completed the vocational training component, the local employment office then had the responsibility to find a job for the worker.

Because the employment office was in charge of the worker the entire time, there was some assurance that the worker was enrolled in a program for which there would be job openings at the time her or she was ready to re-enter the labor market. If an individual wanted to train for an occupation that was not likely to be demanded locally, he or she could still be sent to a training program, perhaps elsewhere in the country, which offered an appropriate course in anticipation of demand in that region.

Linkage to economic diversification efforts required coordination between two or three ministries, always a difficult matter, as well as close working relationships among business, labor, and government at both the national and local levels. The Europeans are justly renowned for the business/labor/government partnerships they have achieved through tripartite boards. Tripartite boards composed of equal numbers of business, labor, and government representatives are the governing boards of training institutions and economic development agencies at the local level, and serve as advisors to ministries at the national level. On vocational training issues, business and labor are often in complete agreement, and find themselves in opposition to the government members. Successful economic diversification and retraining efforts in Europe can be linked to the social integration achieved by these tripartite boards.

Diversification strategies were worked out at the local level in areas suffering from economic dislocation, but aided by substantial resources allocated by the national governments

of Sweden and West Germany. In the Lindeholmen shipyard area in Gothenburg, a research and training park was established, equal or superior to the best of our science and technology parks. With the participation of local firms such as Volvo, very high technology research and training activities have been established. Local firms and other adult training centers can now send trainees to the center to get access to the latest numerically controlled machining equipment, robots, and computers for training courses. Research on a variety of topics is ongoing, including an excellent program in industrial hearing loss. Current employment levels at Lindeholmen are about as high as those in the former shipyard. The local unemployment rate is about the same as the national average (extremely low).

In Uddevalla, over 2,100 shipyard workers lost their jobs in 1985 and 1986 as the local shipyard completely shutdown. A combination of industrial attraction and local manufacturers' expanding helped absorb the workforce released by the shipyard. In addition, local investment companies were established to provide advice and financial assistance to former shipyard workers wanting to open their own businesses. Substantial resources were also put into retraining to achieve successful placement of these 2,100 workers in new occupations and firms.

Note that both retraining and diversification were required to restore both individuals and local areas to economic health. There was a commitment to the region as well as to the individual. The regional commitment can be seen in Sweden's regional policy program which tries to develop the economy of each region of the country. For example, the shipyard closures in Gothenburg also had powerful dislocative effects on the Bergslagen region, a coal and steel producing region. The Bergslagen Delegation was set up as a new regional committee to work out an economic diversification strategy for the area.

In Hamburg, the commitment to skills upgrading for dislocated workers was embodied in the creation of a new institution, the Foundation for Vocational Training of the Unemployed. The City-State of Hamburg founded this nonprofit institution, the purpose of which is to correct

the basic academic deficiencies of dislocated workers and to prepare them to enter regular vocational training programs in West Germany. It is an excellent model for an institution to correct adults' basic academic skill deficiencies.

Applying this model of a combination of skills upgrading, retraining, and economic diversification to the problem of displaced Northwest wood products workers suggests a number of problems. Skills upgrading to current high school graduation levels is clearly going to be required. Many logging and mill workers lack basic academic skills. These deficiencies could be corrected by setting up or expanding existing programs in the local areas where the dislocated workers now live. This is in many ways the easiest part of the problem, at least in terms of putting together an institutional response in each local area. Other aspects of the effort will be more difficult.

Unlike the European dislocation examples just cited, the wood products industry is scattered throughout a large number of small towns and cities in the Northwest. Few, if any, of the plants at risk of closure employ as many workers as the European shipyards. Diversification efforts will be more difficult because 20 or 30 separate diversification efforts must be mounted in lieu of a single effort in a large city such as Gothenburg or Hamburg, or a medium-sized city such as Uddevalla. Linkage of retraining efforts to diversification efforts will be correspondingly more complex, but, as in the European case, it still needs to occur at a local level if these places are to achieve a new level of economic vitality. Relocation, as well as diversification, will inevitably enter the picture because the diversification efforts will probably take longer to yield results in a rural and small town context than they did in the European urban context.

The need to link training responses to the local labor market as it evolves through diversification efforts, and to a statewide labor market for those workers who decide that relocation is a better bet, makes the role of the state employment office critical. Appropriately qualified staff are needed who can help each dislocated worker sort out his or her options, refer

them to appropriate training programs, and then send the person out to employers with job vacancies. In each local area with significant numbers of dislocated workers, the state employment offices may need to set up special centers to deal with the workers and to coordinate efforts with retraining centers and economic development agencies. Emulating the European examples, it would be desirable to have local committees of business, labor, and government representatives to coordinate the necessary combination of retraining and diversification programs.

It is critical that these responses occur in a timely manner and with a minimum of administrative overhead. If time-consuming certification efforts are required for firms and individuals, the financial circumstances of the affected families worsen and the job skills of the workers deteriorate rapidly. Staff of retraining programs in Europe consistently stress the importance of starting the retraining and relocation efforts as soon as possible, preferably at the job site before it closes down. I would recommend pre-certification of plants before they close, rather than after-the-fact certification, and immediate qualification of all workers at pre-certified plants. Counseling of workers should begin at the job site before they become unemployed.

Diversification efforts are already beginning in the affected regions. Economic development groups are talking about strategies based on adding value to standing trees, expansion of secondary wood products firms into new markets and products, use of flexible manufacturing networks to accomplish market and product diversification goals, development of tourism, attraction of retirees, and recruitment of back office activities of service firms and manufacturing branch plants. Many suggest that the outstanding natural quality of life in the Northwest will be a major selling point. What kind of jobs these efforts will produce depends on how the fledgling diversification efforts evolve. The success of these efforts is a question of the resources devoted to them, among other factors.

Some of these diversification possibilities may lend themselves to self-employment schemes, while others will require formation or recruitment of substantial-sized firms. Entrepreneurial and management development may prove to be as crucial and complex as worker retraining. The entrepreneurial and managerial culture in these places is limited in both size and scope due to the historical dependence of these regions on a wood products industry that produces standardized commodity products. The entrepreneurial and managerial skills required in the markets of the future will be of a far higher caliber.

What can the federal government do to help states respond to the dislocations that may occur as a result of federal timber supply decisions?

There are at least three general approaches available to the federal government in helping states adversely affected by federal timber supply decisions: modify existing programs such as the unemployment insurance (UI) system and Title III of the Job Training Partnership Act to better meet the needs of dislocated timber workers and others dislocated because of federal environmental action; develop a new program tailored specifically to meet the needs of those dislocated as a result of federal action; and aid local and state economic diversification efforts.

One of the most important steps to be taken in helping dislocated workers is making access to extended UI benefits easier. As noted earlier, the retraining needs of dislocated timber workers will be extensive, given their present literacy levels and job skills. Training programs of up to two years will likely be required to prepare them for jobs that pay a wage comparable to their previous jobs. Income assistance during this period of training is essential, as the European models suggest. Use of sub-state triggers for extended UI benefits is one proposal for easing access to these benefits. This would allow dislocated timber workers in those counties on the Olympic Peninsula most affected by the spotted owl decision, for example, to receive extended UI benefits, even if the statewide unemployment rate did not exceed the trigger. Extended coverage is particularly important for dislocated timber workers. As noted earlier, there is a general reluctance on their part to accept changes occurring within the wood products industry. Therefore, they delay entry into training programs.

Another important step is increasing funding for JTPA Title III programs. Changes made to the program as result of the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act should increase the effectiveness of JTPA Title III programs. Early intervention, local planning, labor-management cooperation, training (including basic academic skills training), and coordination with economic development efforts, all given greater emphasis as a result of the EDWAA amendments, are important to efforts aimed at aiding dislocated workers,

as the European experience indicates. However, current funding levels will fall far short of that needed to serve those projected to be dislocated as a result of the spotted owl decision. About 2,600 dislocated workers were served by JTPA Title III programs in Washington in 1988. At a minimum, 8,000 timber workers in the state are projected to lose their jobs as a result of spotted owl conservation plans.

Yet another step is using the 20 percent of JTPA funds that are discretionary funds to be distributed by the Secretary of Labor for development of innovative training programs that are regional and industry-wide in nature and designed to meet the needs of dislocated timber workers.

An alternative approach to making modifications to existing programs is that of developing a new program, perhaps modeled after the Trade Adjustment Assistance (TAA) program. The benefits of this approach include provision of cash assistance to dislocated workers while in training, and a lengthier period of coverage. The certification process used in the TAA program could prove especially difficult given the large number of small wood products firms spread throughout the region, unless, as suggested previously, plants were pre-certified.

The third approach the federal government could take, in conjunction with either of the two previous steps, is to provide resources to state and local economic diversification efforts specifically aimed at affected timber dependent communities. Again, European models are relevant, and while that discussion is beyond the scope of this hearing, it should be noted that the best Europeans models avoid permanent subsidies of unprofitable enterprises.[2] Aid is given to get a program going, but contributions are required from the private sector from the very beginning to make sure that a true public/private partnership is established, and that funds are spent in ways that the private sector finds valuable. The federal role here should be one of supporting local and state efforts that are largely driven by the private sector.

[2]Cortright, Joseph. *Old World/New Ideas: Business Assistance Lessons from Europe*. Seattle: Northwest Policy Center, University of Washington, April 1990.

Whatever approach is taken, there are certain key features that should be incorporated into the strategy for meeting the retraining and other needs of dislocated workers: business, labor, and government involvement in cooperative efforts to resolve local dislocation problems; economic diversification to increase employment opportunities in timber-dependent communities; training options that include basic academic as well as vocational training; and income assistance during training.